

HOUSING

TENNESSEE

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December 2023

TENNESSEE DASHBOARD 3RD QUARTER 2023 (percent change over the year)

Weekly Unemployment Claims	▼	-0.89	Total Home Permits*	▲	+28.72
Total Nonfarm Employment*	▲	+2.35	Mortgage Tax Collections	▼	-33.48
Unemployment Rate (percentage points)*	▼	-0.23	Real Estate Transfer Tax Collections	▼	-25.05
Homeowner Vacancy Rate (percentage points)	▲	+0.40	Home Prices*	▲	+4.00
Rental Vacancy Rate (percentage points)	▼	-0.80	Mortgages Past Due (percentage points)	▲	+0.04
Single-Family Home Permits*	▲	+8.65	Foreclosure Rate (percentage points)	▼	-0.01

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q3 2023 indicators show mixed outcomes in Tennessee

In Q3 2023, Tennessee's economy showed mixed trends, with growth in employment and construction but challenges in real estate and homeownership.

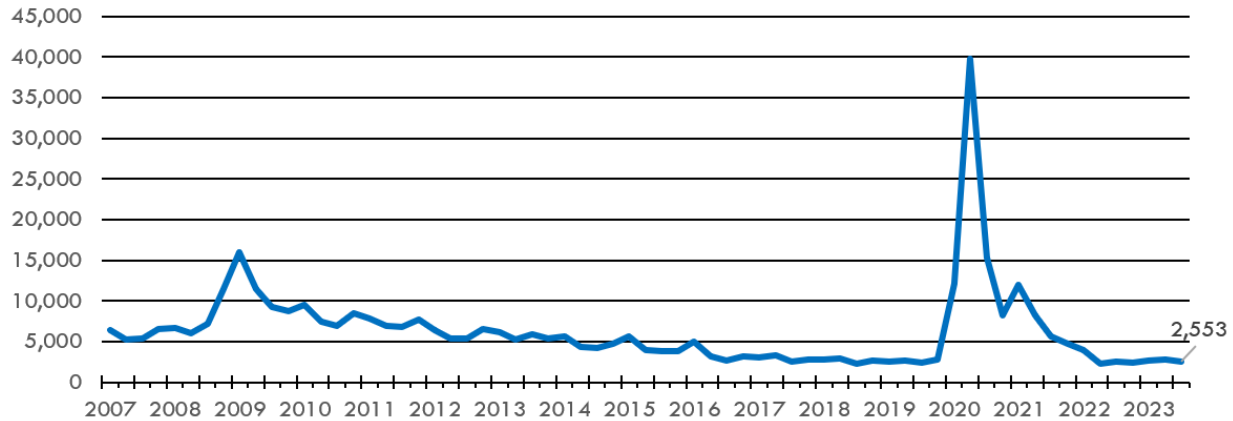
In the third quarter of 2023, the economic situation in Tennessee was characterized by a mix of both positive and negative elements. Although there was a slight decrease of 0.47% in the labor force from the previous year, most employment indicators showed promising directions. The state marked significant annual growth in crucial sectors such as Manufacturing, Goods-Producing, and Services-Providing, with increases of 2.59%, 2.56%, and 2.30%, respectively. These sectors also saw quarterly growths of 0.17%, 0.22%, and 0.22%. Total Nonfarm Employment demonstrated strong performance, with an annual increase of 2.35% and a quarterly rise of 0.22%. Additionally, there was a notable annual decrease of 0.89% in Weekly Unemployment Claims, along with a reduction in the Unemployment Rate by 0.23 percentage points.

The construction sector experienced significant expansion. Annually, Single-Family and Total Home Permits grew by 8.65% and 28.72%, respectively, with quarterly increases of 3.82% and 12.97%. Home Prices also witnessed a considerable annual increase of 4.00% and a quarterly rise of 0.31%. Foreclosure Rates and Rental Vacancy Rates declined by 0.01 and 0.80 percentage points, respectively, on an annual basis.

However, the real estate sector faced certain challenges. There were notable annual decreases in both Mortgage Tax Collections and Real Estate Transfer Tax Collections, with reductions of 33.48% and 25.05%, respectively. Additionally, the Homeowner Vacancy Rate and Mortgages Past Due saw increases of 0.40 and 0.04 percentage points, respectively, indicating 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)

	2022.3	2022.4	2023.1	2023.2	2023.3
Employment by Industry (Nonfarm)					
Total Nonfarm	3,246	3,273	3,309	3,315	3,323
Goods-Producing Sectors	515	521	525	527	528
Manufacturing	361	365	368	370	371
Services-Providing Sectors	2,732	2,753	2,783	2,789	2,795
Labor Force	3,398	3,344	3,329	3,359	3,382
Total Employment	3,284	3,229	3,214	3,250	3,276
Unemployed	114	116	115	109	106
Unemployment Rate	3.37%	3.50%	3.47%	3.27%	3.13%

Source: Bureau of Labor Statistics

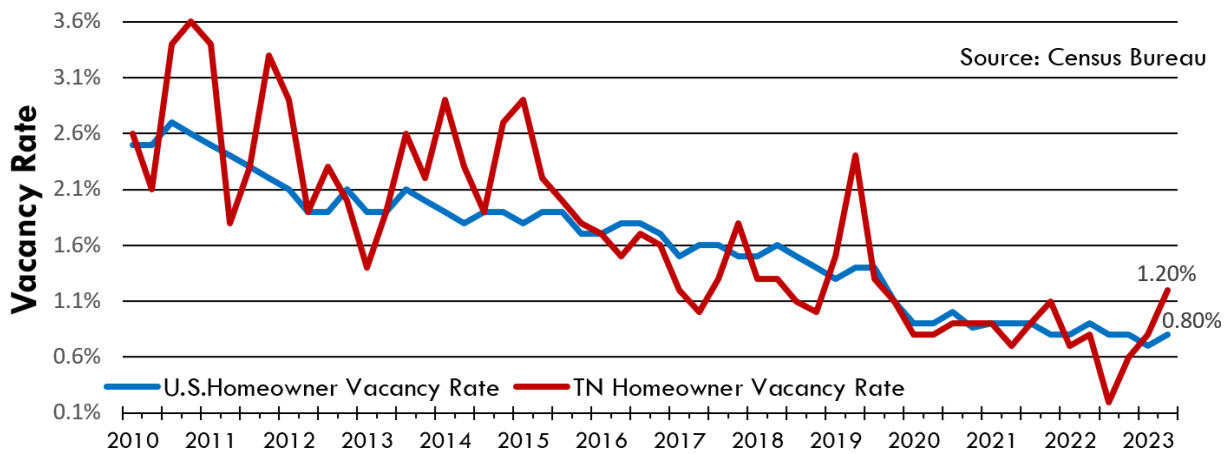
Source: Bureau of Labor Statistics

Vacancy Rate

In Q3 2023, Tennessee homeowner vacancies increased while rental vacancies decreased.

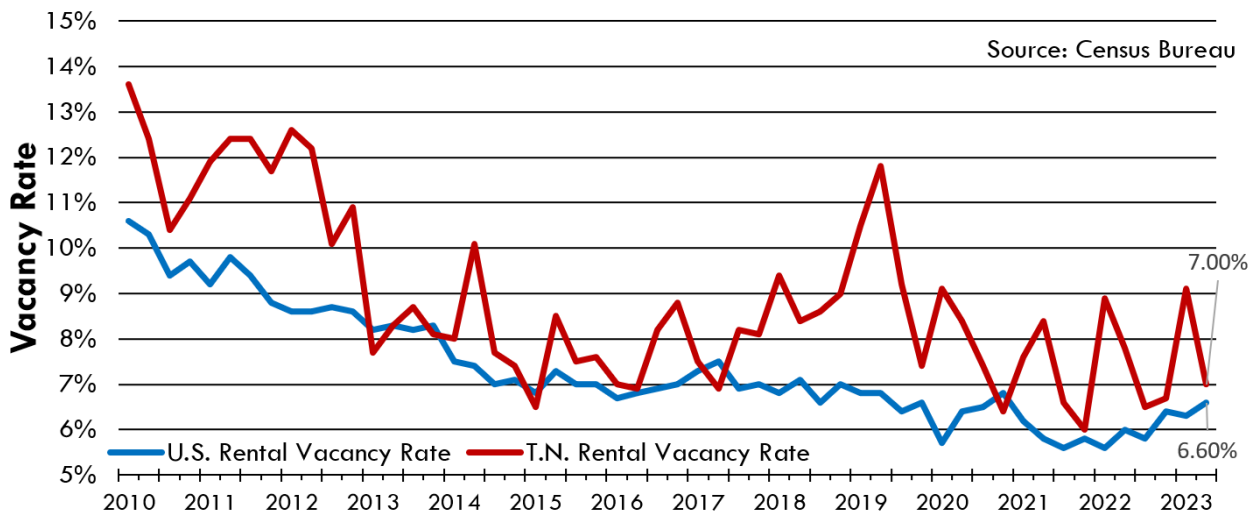
The homeowner vacancy rates in Tennessee showed varied patterns on both annual and quarterly bases, diverging from the national trends. Annually, Tennessee's homeowner vacancy rates rose by 0.40 percentage points, a trend mirrored in its quarterly figures. In contrast, the United States recorded an annual decrease of 0.10 percentage points in these rates, yet observed a similar quarterly rise of 0.10 percentage points.

In the realm of rental vacancy rates, Tennessee reported a significant annual reduction of 0.80 percentage points and an even more pronounced quarterly decline of 2.10 percentage points. This contrasts with the national scenario, where the United States saw an annual increase of 0.60 percentage points and a modest quarterly rise of 0.30 percentage points in rental vacancy rates.



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

In Q3 2023, Tennessee displayed a general upswing in single-family and total permits, with varied annual trends and strong quarterly growth in multi-family permits.

The single-family permit sector across Tennessee, the Southern region, and the United States was characterized by both annual and quarterly growth. Quarterly, Tennessee, the South, and the U.S. saw increases in single-family permits by 3.85%, 5.37%, and 4.42%, respectively. Annually, these areas recorded rises of 8.65%, 9.51%, and 6.89%, respectively.

In contrast, multi-family permits across all regions showed quarterly growth, yet displayed mixed annual results.

This quarter, multi-family permits in Tennessee, the South, and the U.S. increased by 21.22%, 11.78%, and 17.26%, respectively. Annually, Tennessee experienced significant growth of 92.61%, while the South and the U.S. encountered declines of 14.40% and 7.72%, respectively.

Total permits also demonstrated quarterly rises in all regions, with varying annual trends. Quarter-over-quarter, total permits in Tennessee, the South, and the U.S. increased by 12.97%, 0.83%, and 0.36%, respectively. Annually, Tennessee witnessed a notable surge of 28.72%, in contrast to the declines of 4.89% in the South and 6.71% in the United States.

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

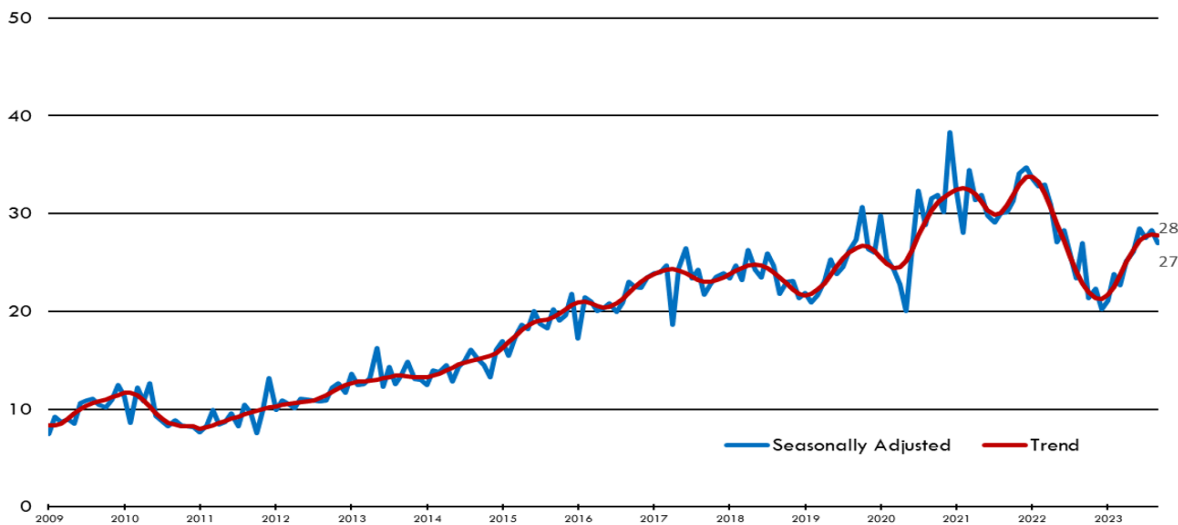


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

(numbers shown in thousands)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2020.3	37.1	614.5	1,071.5	19.3	199.7	473.0	56.9	808.7	1,548.8
2020.4	40.2	678.0	1,174.5	14.9	193.7	478.3	53.1	855.2	1,630.7
2021.1	38.0	637.9	1,154.7	20.4	242.7	562.8	57.3	882.8	1,707.5
2021.2	37.2	653.9	1,118.2	22.6	241.0	551.7	59.7	908.1	1,687.5
2021.3	35.7	625.4	1,055.7	15.8	261.5	612.7	52.2	881.1	1,669.0
2021.4	40.0	654.2	1,115.3	23.1	264.9	678.5	62.2	907.1	1,793.3
2022.1	39.7	670.0	1,161.8	16.6	277.3	659.8	56.7	951.3	1,804.3
2022.2	34.5	606.9	1,015.9	8.3	319.3	691.5	42.7	934.3	1,720.6
2022.3	30.5	524.8	881.9	8.5	331.1	688.0	39.9	854.2	1,570.6
2022.4	25.5	469.9	774.7	5.1	314.9	614.4	29.5	782.4	1,399.2
2023.1	27.0	477.5	790.4	16.5	318.1	653.7	43.6	800.9	1,427.3
2023.2	31.9	545.5	902.8	13.5	253.6	541.4	45.4	805.7	1,459.9
2023.3	33.1	574.7	942.7	16.4	283.4	634.9	51.3	812.4	1,465.1
Change from previous quarter	3.8%	5.4%	4.4%	21.2%	11.8%	17.3%	13.0%	0.8%	0.4%
Change from previous year	8.65%	9.51%	6.89%	92.61%	-14.40%	-7.72%	28.72%	-4.89%	-6.71%

Source: Census Bureau

Source: Census Bureau

Real Estate Transactions & Mortgages

In Q3 2023, Tennessee experienced a surge in real estate transfer and mortgage tax collections, with quarterly gains of 15.01% and 7.40%, respectively, despite notable annual declines.

In the third quarter of 2023, real estate transfer tax collections in the region showed a notable increase of 15.01%, reaching over \$24.3 million.

Despite this quarterly growth, an annual comparison reveals

a decline of 25.05%, with the annualized figure approximating \$292 million.

Similarly, mortgage tax collections in the same period registered a significant quarterly rise of 7.40%, totaling around \$7.6 million.

However, an annual assessment indicates a substantial decrease of 33.48%, with the year's total collections amounting to approximately \$91 million.

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

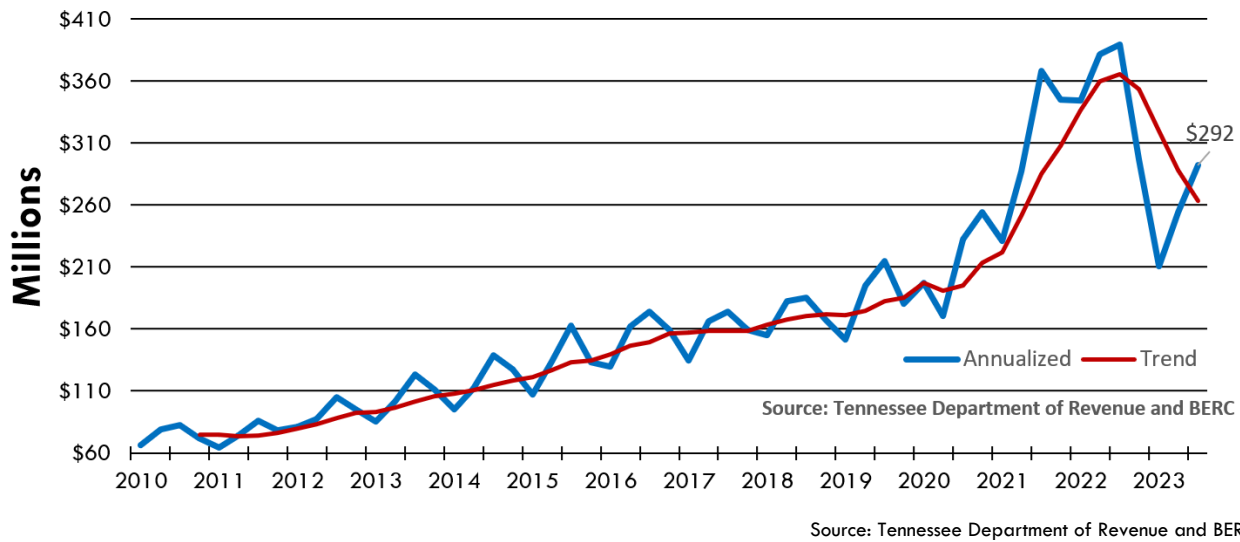
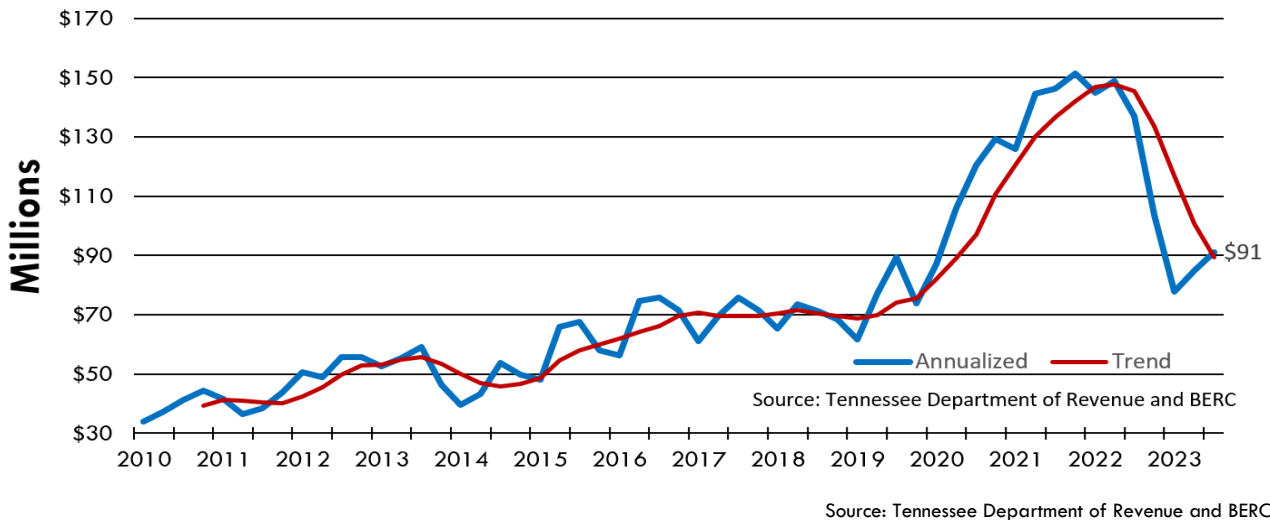


Figure 6. Mortgage tax collections (millions, seasonally adjusted annual rate)



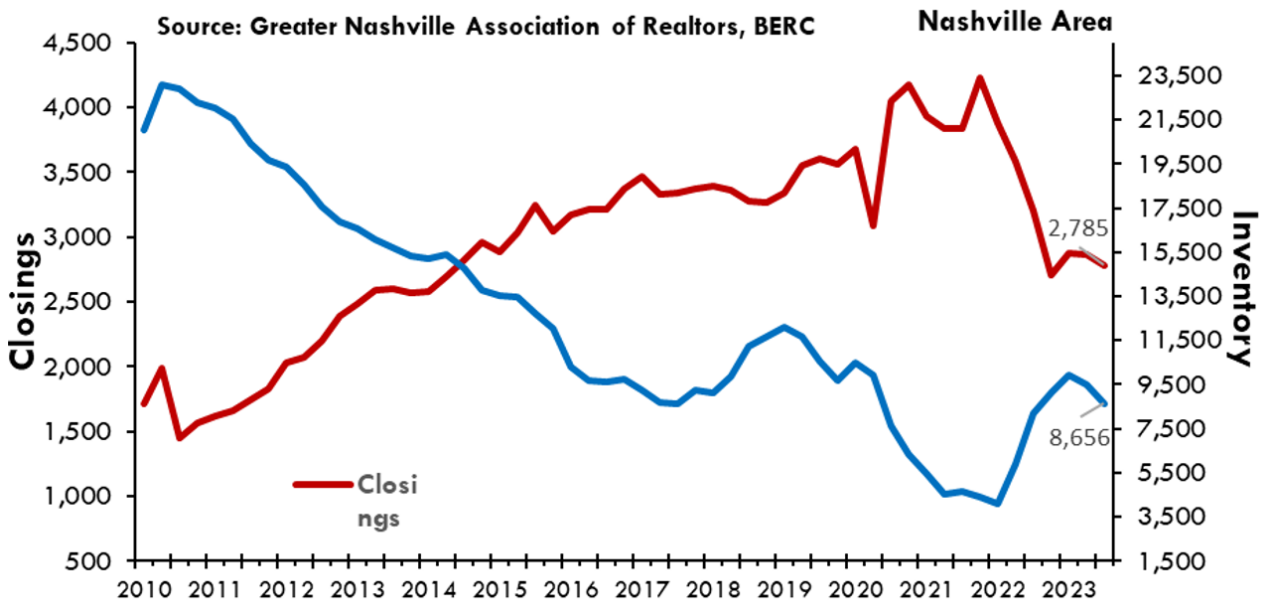
Home Sales

In Q3 2023, Nashville, Knoxville, and Memphis faced declines in real estate closings.

The Nashville, Knoxville, and Memphis regions all reported declines in both quarterly and annual real estate closing figures. Specifically, Nashville, Knoxville, and Memphis saw quarterly closing reductions of 2.82%, 7.60%, and 6.89%, respectively. Annually, these decreases were more pronounced, with Nashville experiencing a 13.14% decline, Knoxville 17.16%, and Memphis 27.60%.

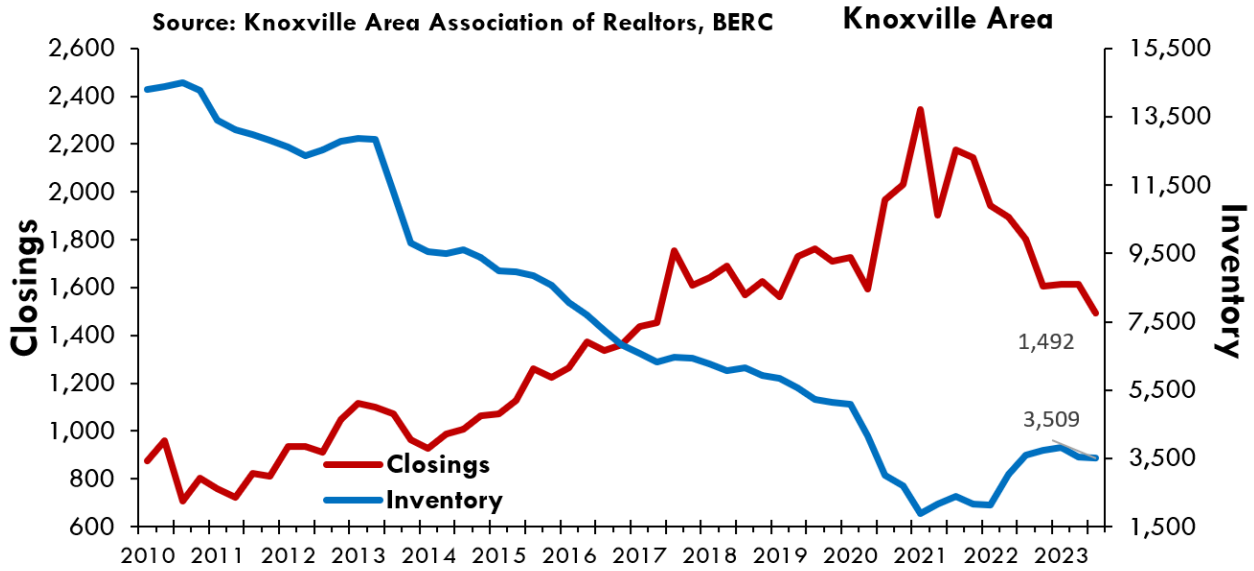
In terms of annual inventory changes, the regions exhibited diverse trends. Memphis led with a significant increase of 18.91%, followed by Nashville with a rise of 5.37%, while Knoxville recorded a decline of 2.36%. On a quarterly basis, Nashville experienced the most notable inventory reduction of 8.95%, compared to declines of 2.16% in Memphis and 0.76% in Knoxville.

Figure 7.1 Single-family sales and inventory - Nashville Area



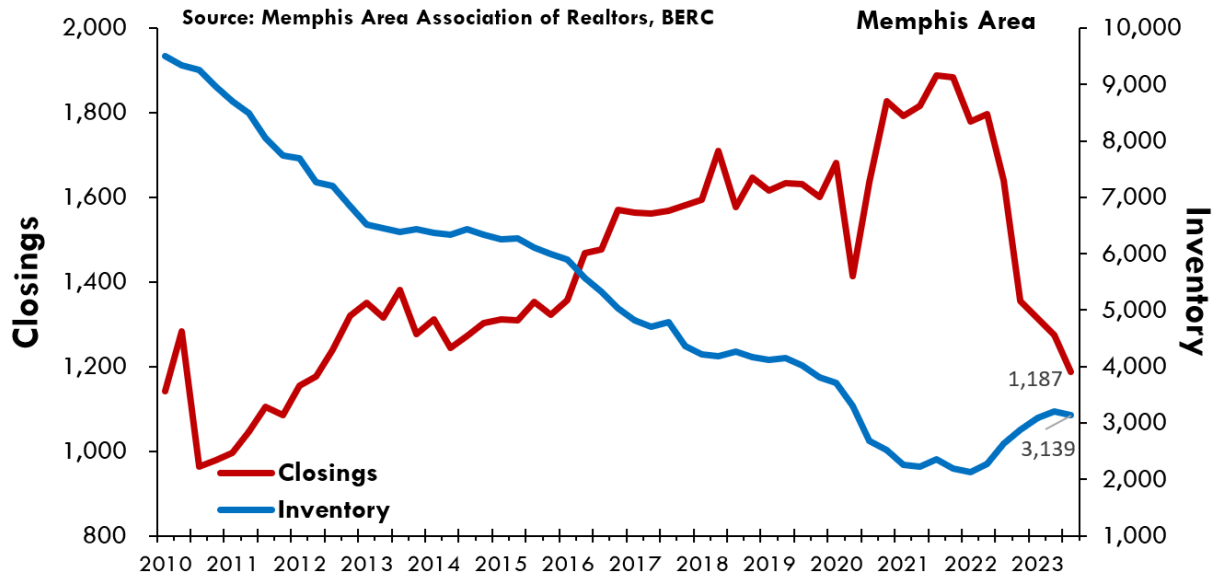
Source: Greater Nashville Association of Realtors, BEREC

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 2023, Tennessee's MSAs witnessed an overall rise in home prices, with most areas surpassing the national growth average, though the state's annual price growth showed signs of slowing compared to the previous year.

During the third quarter of 2023, home prices across various Metropolitan Statistical Areas (MSAs) in Tennessee displayed a consistent upward trend. Most of these MSAs exceeded the national annual growth average of 4.7%. Notably, the Knoxville MSA experienced the highest increase with a significant growth

rate of 10.5%, while the Nashville MSA observed the most modest annual increase at 0.6%. The Chattanooga and Johnson City MSAs reported robust annual growth rates of 8.2% and 9.1%, respectively.

Quarterly, Tennessee's home prices rose by 0.31%, a rate slightly lower than the U.S. average quarterly growth of 1.17%. On an annual scale, Tennessee's home price growth was 4.0%, compared to the national rate of 4.7%.

It's important to note that, in comparison to the previous year, the pace of home price growth in Tennessee has shown signs of moderating.

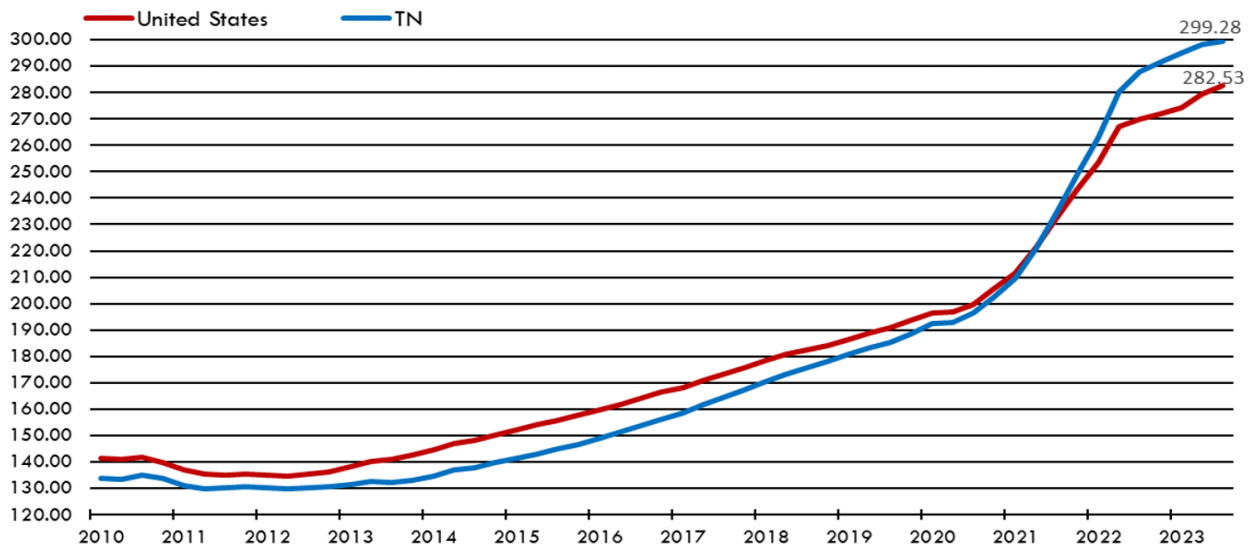
Table 3. Percent change in housing prices year to year

Area	2021.4-2022.4	2022.1-2023.1	2022.2-2023.2	2022.3-2023.3
Chattanooga MSA	15.8%	13.2%	8.4%	8.2%
Clarksville MSA	16.2%	10.2%	2.2%	5.3%
Cleveland MSA	15.1%	11.1%	9.9%	2.6%
Jackson MSA	20.1%	12.4%	6.9%	8.6%
Johnson City MSA	20.6%	22.9%	9.6%	9.1%
Kingsport-Bristol MSA	19.3%	15.4%	8.9%	8.2%
Knoxville MSA	20.5%	14.7%	11.1%	10.5%
Memphis MSA	14.6%	10.1%	5.0%	2.5%
Morristown MSA	20.2%	14.3%	10.6%	4.8%
Nashville MSA	16.4%	10.9%	3.5%	0.6%
Tennessee	17.2%	12.1%	6.4%	4.0%
United States	11.8%	8.3%	14.9%	4.7%

Source: FHFA All Transactions Index.

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

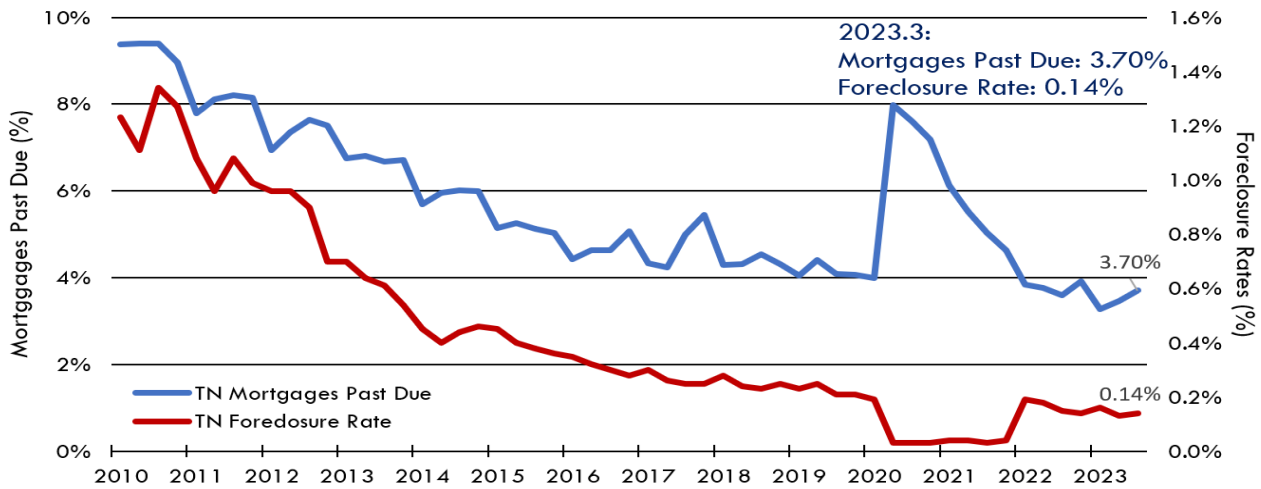
In Q3 2023, Tennessee saw increases in quarterly mortgage delinquency and foreclosure rates, while a decrease in annual foreclosure rates.

During the third quarter of 2023, Tennessee and the United States both experienced increases in quarterly mortgage delinquency and foreclosure rates. In Tennessee, there were slight rises in mortgage delinquencies (0.24 percentage points) and foreclosures (0.02 percentage points). The United States mirrored this trend, with mortgage delinquencies

increasing by 0.24 percentage points and foreclosure rates by 0.01 percentage points.

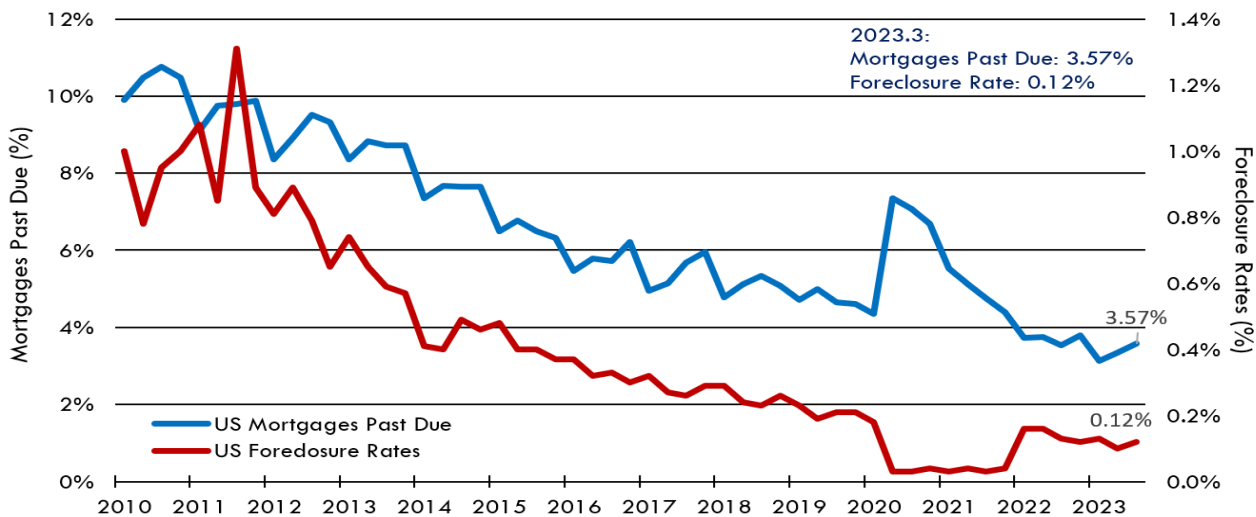
Annually, mortgage delinquency trends in Tennessee and the United States were comparable. Tennessee recorded a modest annual increase in mortgage delinquencies of 0.04 percentage points, while the United States witnessed a slightly higher increase of 0.11 percentage points. Interestingly, both regions experienced an annual decrease in foreclosure rates by 0.01 percentage points.

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

Economic indicators send mixed signal in q3 2023

In Q3 2023, Tennessee's housing market showed a mix of trends, with economic challenges indicated by lower vacancy and tax collection rates, yet positive signs in employment, permit increases, and a 4.0% rise in home prices, pointing to a cautiously optimistic outlook.

In the third quarter of 2023, Tennessee's housing market exhibited a mix of varied trends and dynamics. The period was marked by declines in Rental Vacancy Rates, Mortgage Tax Collections, and Real Estate Transfer Tax Collections, reflecting certain economic pressures. However, the sector also witnessed encouraging positive developments. Total Nonfarm Employment showed a substantial increase of 2.35%, and notably, the

unemployment rate decreased by 0.23 percentage points over the past year, marking the first decline in 2023.

There was a noticeable rise in both single-family and total home permits, indicating a sustained growth in various home construction categories. Additionally, home prices in Tennessee experienced a significant increase of 4.0%.

In summary, the housing market in Tennessee is currently undergoing a phase marked by mixed indicators, leaning towards a more positive outlook. While some metrics demonstrate resilience and growth, others highlight the importance of vigilance and an understanding of potential economic challenges.



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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)