

HOUSING

TENNESSEE

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March 2023

TENNESSEE DASHBOARD 4TH QUARTER 2022 (percent change over the year)

Weekly Unemployment Claims	▼	-48.18	Total Home Permits*	▼	-52.60
Total Nonfarm Employment*	▲	+5.10	Mortgage Tax Collections	▼	-31.72
Unemployment Rate (percentage points)*	▼	-0.50	Real Estate Transfer Tax Collections	▼	-14.02
Homeowner Vacancy Rate (percentage points)	▼	-0.70	Home Prices*	▲	+17.75
Rental Vacancy Rate (percentage points)	▼	-0.10	Mortgages Past Due (percentage points)	▼	-0.61
Single-Family Home Permits*	▼	-36.44	Foreclosure Rate (percentage points)	▲	+0.08

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q4 2022 economic indicators are positive, except for housing

For Q4 2022, overall economic indicators are positive. Annual improvements are observed in the weekly unemployment claims, total nonfarm employment, unemployment rate, homeowner vacancy rate, rental vacancy rate, home prices, and mortgages past due. Compared to the previous year, mortgage tax collections, real estate transfer tax collections, foreclosure rates, and single-family and total home permits performed worse. From last year, unemployment claims have fallen by 48.18%.

Annually, nonfarm employment rose by 5.10% and 0.82% quarterly. The annual unemployment rate dropped by 0.5 percentage points and increased by 0.13 percentage points quarterly.

Goods-Producing sectors, Manufacturing, and Services-Providing sectors all saw yearly economic growth of 7.1%, 3.58%, and 4.73%, respectively.

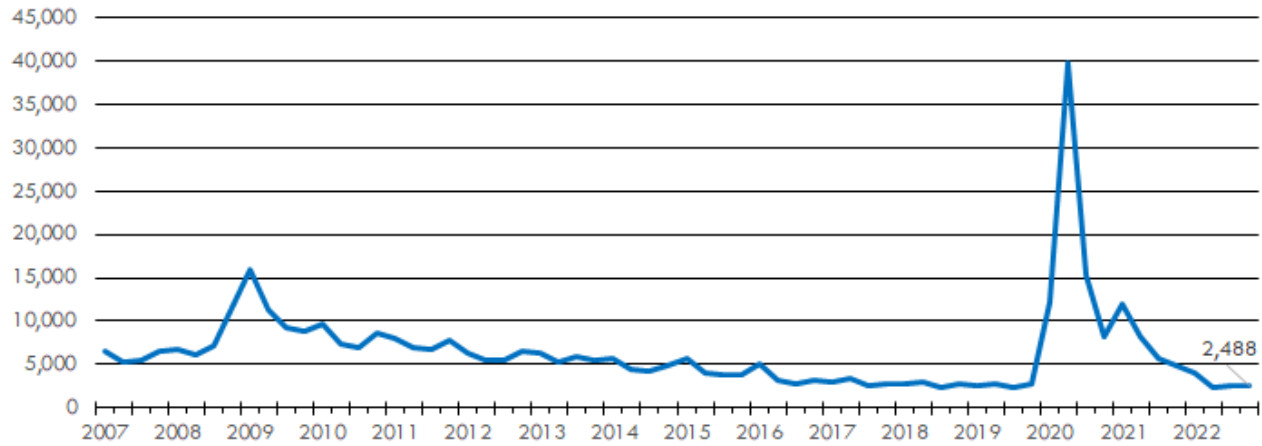
Quarterly, these sectors grew by 1.19%, 0.91%, and 0.76%, respectively.

Housing for the fourth quarter produced both favorable and adverse results for Tennessee. Homeowner and rental vacancy rates improved from the previous year (down by 0.70 and 0.10 percentage points, respectively).

Mortgage delinquency rates declined by 0.61 percentage points, and housing prices increased by 17.75%. Conversely, single-family and multi-family permits saw reductions over the year and quarter. In comparison, foreclosure rates increased by 0.08 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)

	2021.4	2022.1	2022.2	2022.3	2022.4
Employment by Industry (Nonfarm)					
Total Nonfarm	3,114	3,189	3,225	3,246	3,273
Goods-Producing Sectors	486	504	510	515	521
Manufacturing	352	358	359	361	365
Services-Providing Sectors	2,628	2,685	2,715	2,732	2,753
Labor Force	3,315	3,358	3,402	3,398	3,344
Total Employment	3,181	3,245	3,291	3,284	3,229
Unemployed	134	113	112	114	116
Unemployment Rate	4.00%	3.37%	3.27%	3.37%	3.50%

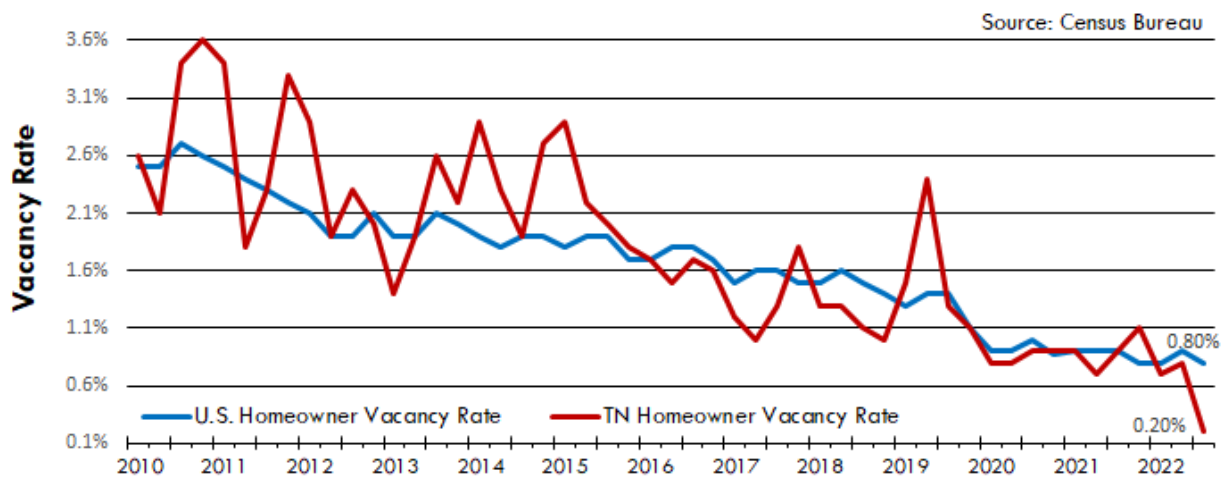
Source: Bureau of Labor Statistics

Vacancy Rate

Yearly and quarterly homeowner vacancy rates declined in Tennessee and the United States. Tennessee homeowner vacancy rates fell by 0.70 percentage points annually and 0.60 percentage points quarterly. The United States homeowner vacancy rates decreased by 0.10 percentage points for the quarter and the year.

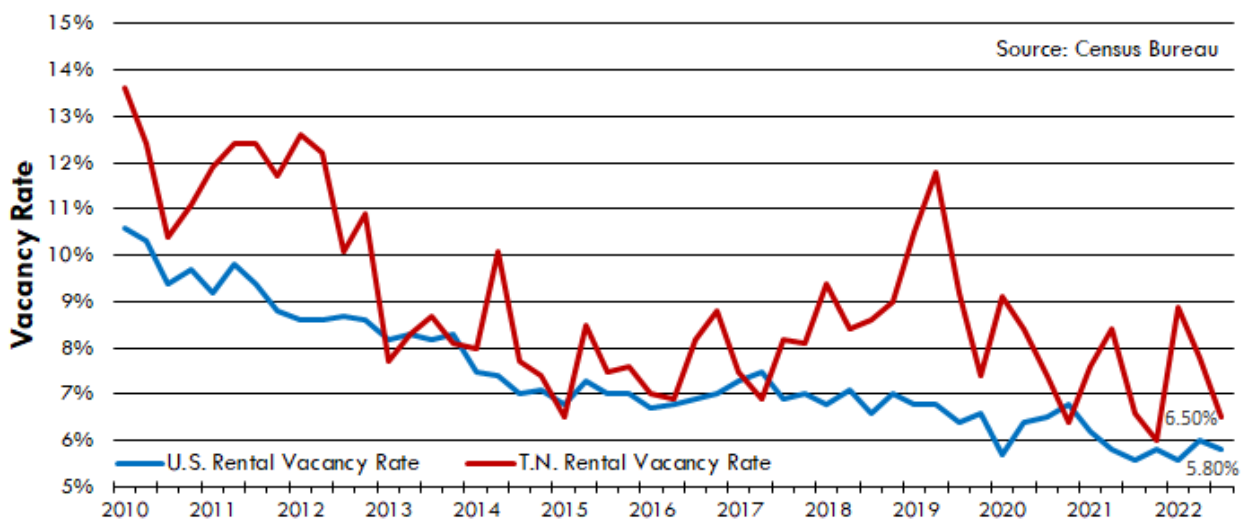
Tennessee saw reductions in annual and quarterly rental vacancy rates. While the United States annual rental vacancy rate rose and quarterly rates dropped. Tennessee's rental vacancy rates contracted by 0.10 percentage points for the year and 1.30 percentage points for the quarter. Rental vacancy rates in the United States increased by 0.20 percentage points annually and decreased by 0.20 percentage points quarterly.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

Annual and quarterly single-family permits declined in Tennessee, the South, and the United States. Quarterly, single-family permits decreased by 17.7% in Tennessee, 11.5% in the South, and 14.1% in the United States. Annually, the single-family permits fell by 36.44% in Tennessee, 28.37% in the South, and 30.8% in the United States.

Multi-family permits dropped for the year and quarter in Tennessee, the South, and the United States. From the previous quarter, multi-family permits lowered by 37.8%

in Tennessee, 4.4% in the South, and 10.9% in the United States. From the last year, multi-family permits fell by 77.97% in Tennessee, 19.27% in the South, and 9.23% in the United States.

Quarterly and yearly total permits decreased in all observed regions. Total permits for the quarter fell by 26.2% in Tennessee, 8.8% in the South, and 11.9% in the United States. Similarly, total permits for the year declined by 52.6% in Tennessee, 13.78% in the South, and 22.05% in the United States.

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

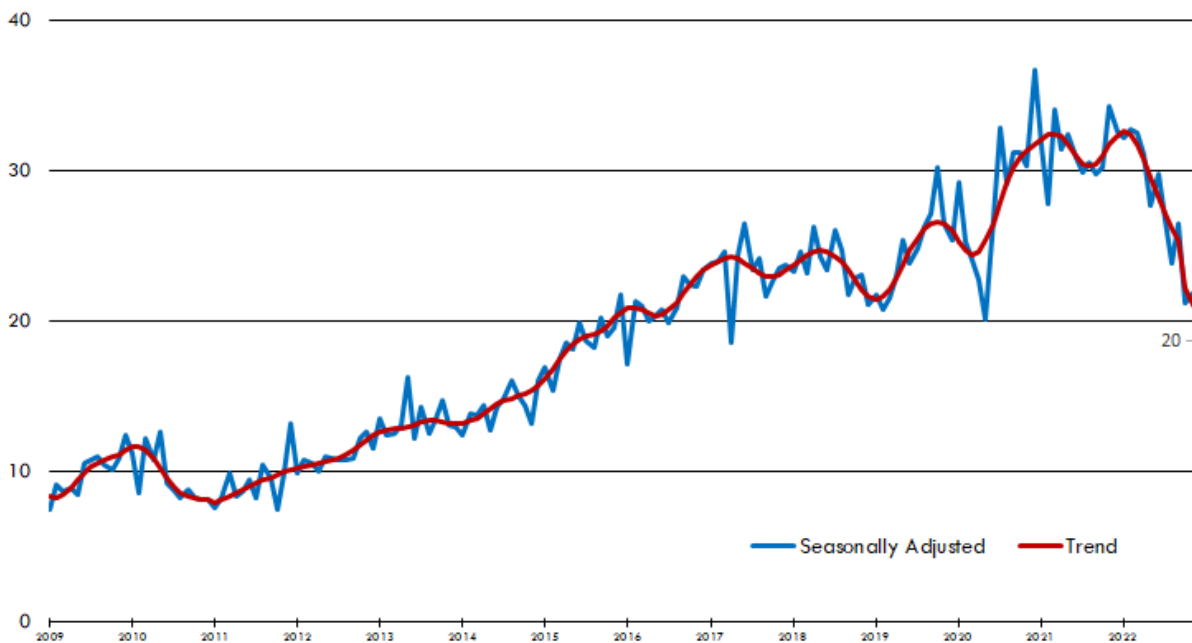


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2019.4	33.1	515.9	908.1	15.2	225.1	540.4	47.7	732.4	1,447.0
2020.1	31.5	521.1	931.2	10.5	201.4	470.3	43.3	727.1	1,405.4
2020.2	27.9	444.4	770.6	15.5	202.2	425.7	43.0	652.4	1,195.9
2020.3	37.1	614.4	1,075.5	19.5	200.5	474.7	57.1	809.5	1,552.2
2020.4	39.8	674.7	1,165.9	14.9	194.9	480.0	52.6	852.8	1,625.5
2021.1	37.6	634.9	1,145.0	17.7	243.8	560.3	56.0	885.1	1,709.5
2021.2	37.8	660.4	1,129.0	24.0	236.4	548.4	61.3	907.4	1,685.0
2021.3	35.8	625.5	1,061.7	15.9	262.8	617.3	52.2	882.4	1,676.0
2021.4	39.5	649.1	1,101.7	23.2	268.2	682.7	61.5	904.6	1,783.7
2022.1	39.1	664.3	1,147.6	15.3	279.3	656.4	55.2	953.3	1,806.9
2022.2	35.3	615.4	1,030.8	9.1	310.0	684.1	44.2	934.0	1,718.1
2022.3	30.5	525.4	887.8	8.2	334.6	695.6	39.5	855.3	1,578.0
2022.4	25.1	465.0	762.5	5.1	319.9	619.7	29.2	780.0	1,390.4
Change from previous quarter	-17.7%	-11.5%	-14.1%	-37.8%	-4.4%	-10.9%	-26.2%	-8.8%	-11.9%
Change from previous year	-36.44%	-28.37%	-30.80%	-77.97%	19.27%	-9.23%	-52.60%	-13.78%	-22.05%

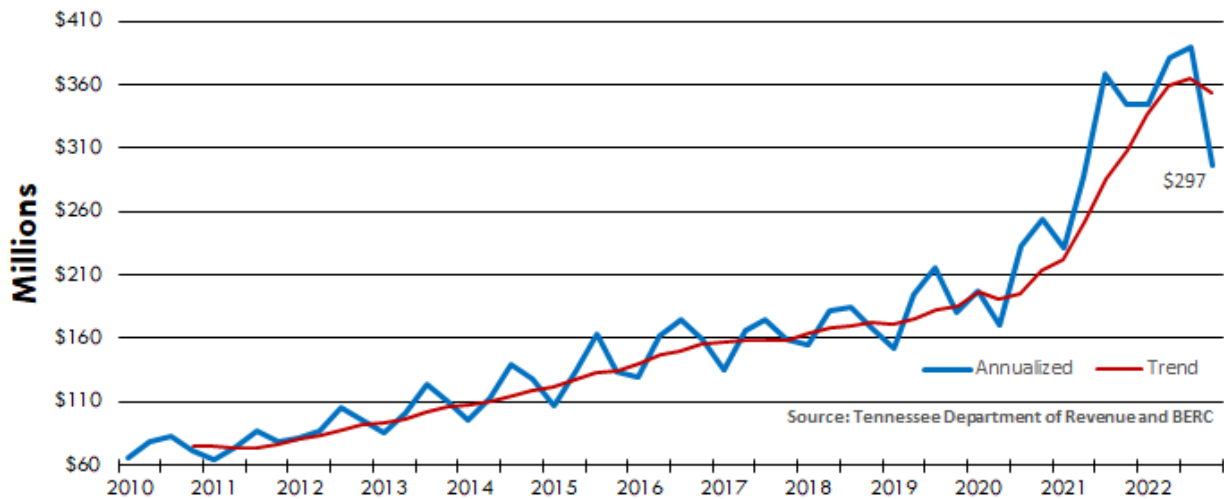
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections significantly decreased from the third quarter of 2022 (23.89%) and for the year (14.02%). Real estate transfer tax collections were just below 25 million dollars, while annualized collections were approximately 297 million.

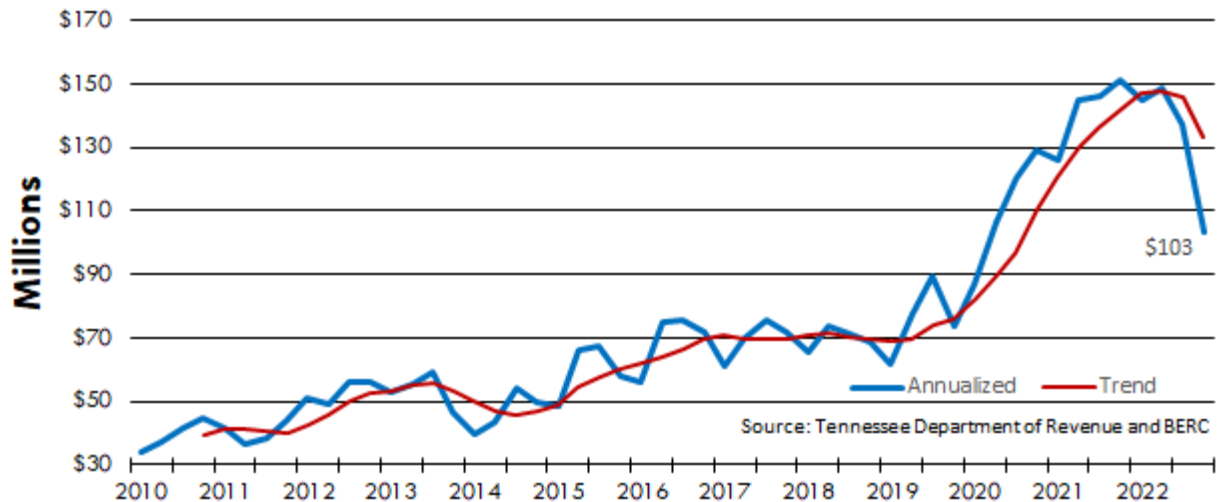
Mortgage tax collections decreased from Q3 2022 by 24.55% and fell by 31.72% over the year. The quarterly average for mortgage tax collections was just over 8 million dollars, and the annualized collections were approximately 103 million.

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



Source: Tennessee Department of Revenue and BERCC

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



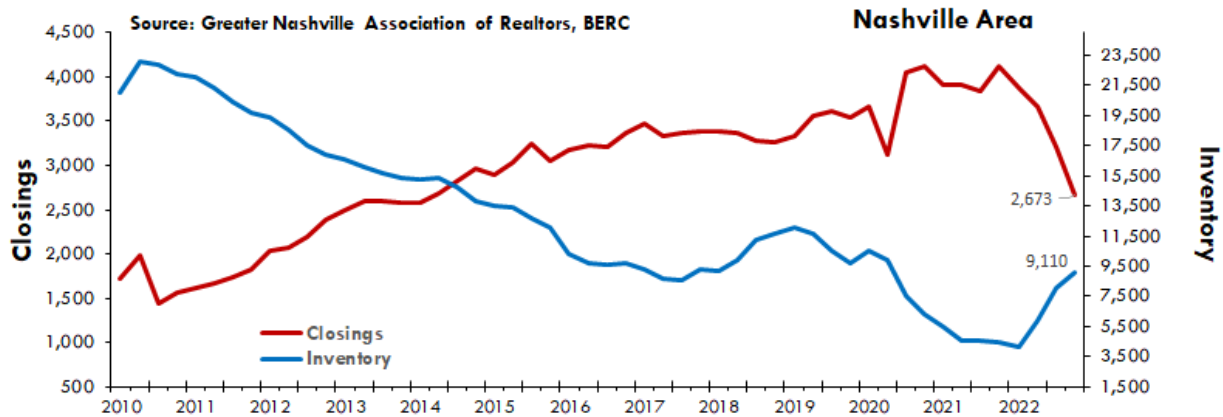
Source: Tennessee Department of Revenue and BERCC

Home Sales

Quarterly and annual closings were negative for the Nashville, Knoxville, and Memphis regions. Quarterly closings decreased by 16.74% in Nashville, 12.39% in Knoxville, and 20% in Memphis. Annually, closings were reduced by 35.21% in Nashville, 24.07% in Knoxville, and 25.79% in Memphis.

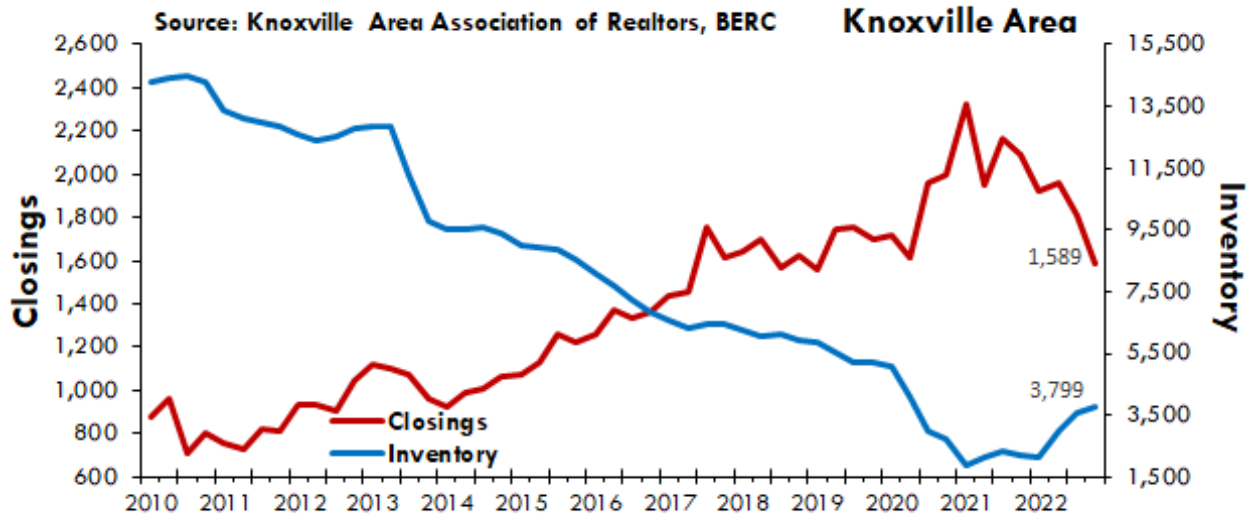
Inventory changes were positive for all observed regions, both quarterly and annually. Nashville had the most significant quarterly growth of 12.94%, followed by Memphis with 11.2% and Knoxville with 7.03%. Yearly changes in inventory were also most significant for the Nashville area, with an increase of 105.23%. The Knoxville and Memphis areas saw expansions of 71.06% and 28.78%, respectively.

Figure 7.1 Single-family sales and inventory - Nashville Area



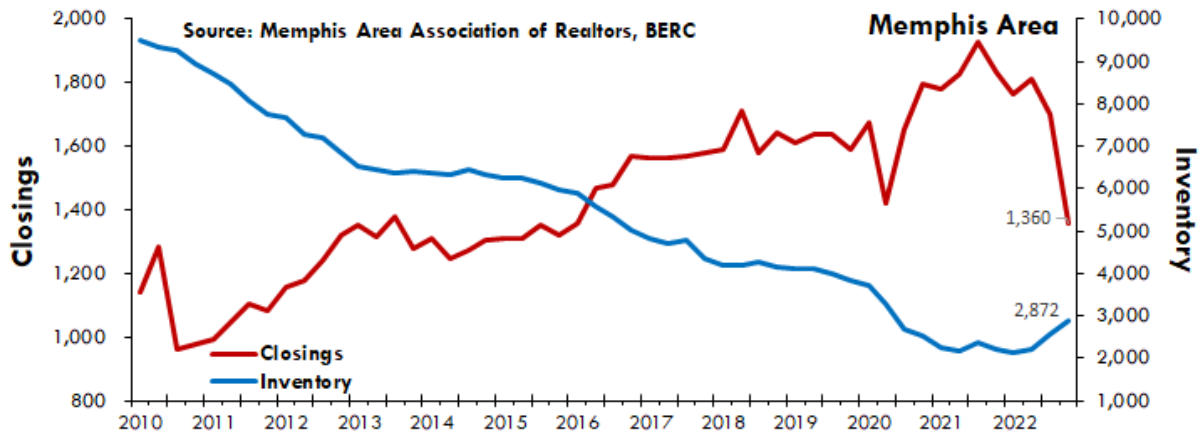
Source: Greater Nashville Association of Realtors, BEREC

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

In Q4 2022, home prices for all MSAs in Tennessee grew. However, the increase in the third quarter was more rigorous than the home price increase in the fourth quarter. The Memphis MSA had the smallest annual growth of 15.3%.

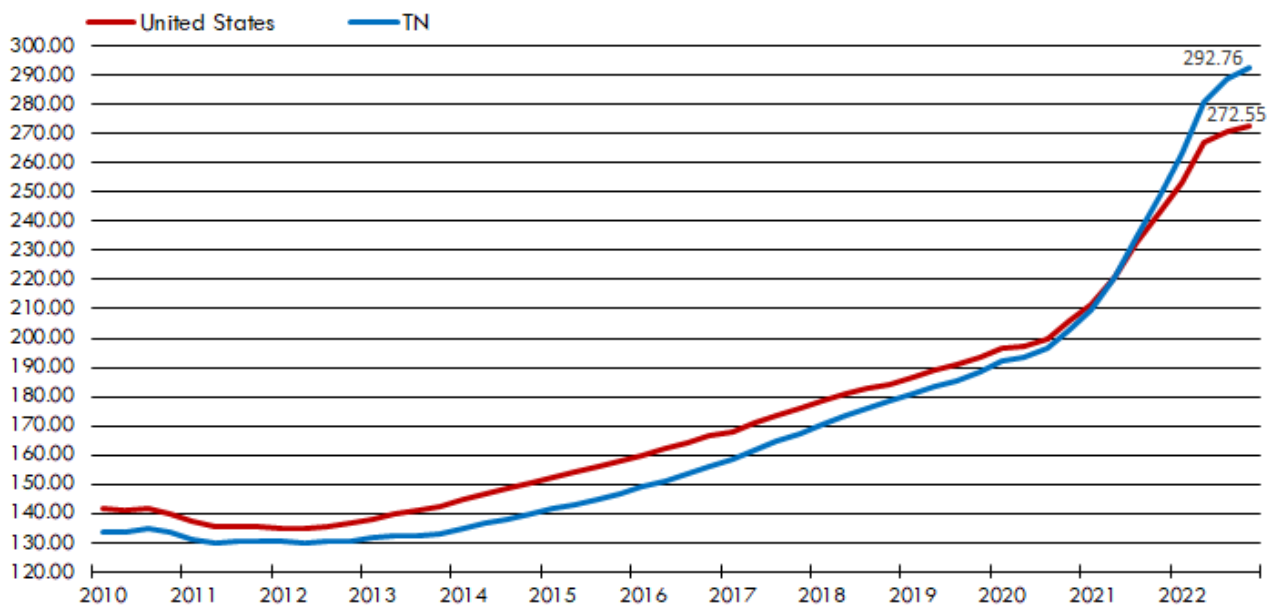
Home prices from the previous quarter rose for Tennessee and the United States. The quarterly growth rate for Tennessee was 1.43%, and the United States saw a rise of 0.57%. Annual expansion for Tennessee was 17.5%, and 12% in the United States.

Table 3. Percent change in housing prices year to year

Area	2021.1-2022.1	2021.2-2022.2	2021.3-2022.3	2021.4-2022.4
Chattanooga MSA	24.8%	24.3%	20.3%	15.9%
Clarksville MSA	26.7%	29.8%	22.7%	16.9%
Cleveland MSA	22.4%	25.0%	22.1%	15.4%
Jackson MSA	28.6%	24.1%	22.9%	19.0%
Johnson City MSA	20.5%	27.4%	25.8%	19.6%
Kingsport-Bristol MSA	24.0%	29.4%	22.6%	18.8%
Knoxville MSA	26.4%	28.8%	24.6%	21.0%
Memphis MSA	20.4%	20.9%	17.2%	15.3%
Morristown MSA	25.3%	22.1%	24.0%	19.1%
Nashville MSA	27.2%	30.3%	25.2%	17.0%
Tennessee	25.6%	27.2%	23.1%	17.5%
United States	19.7%	20.7%	28.0%	12.0%

Source: FHFA All Transactions Index

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



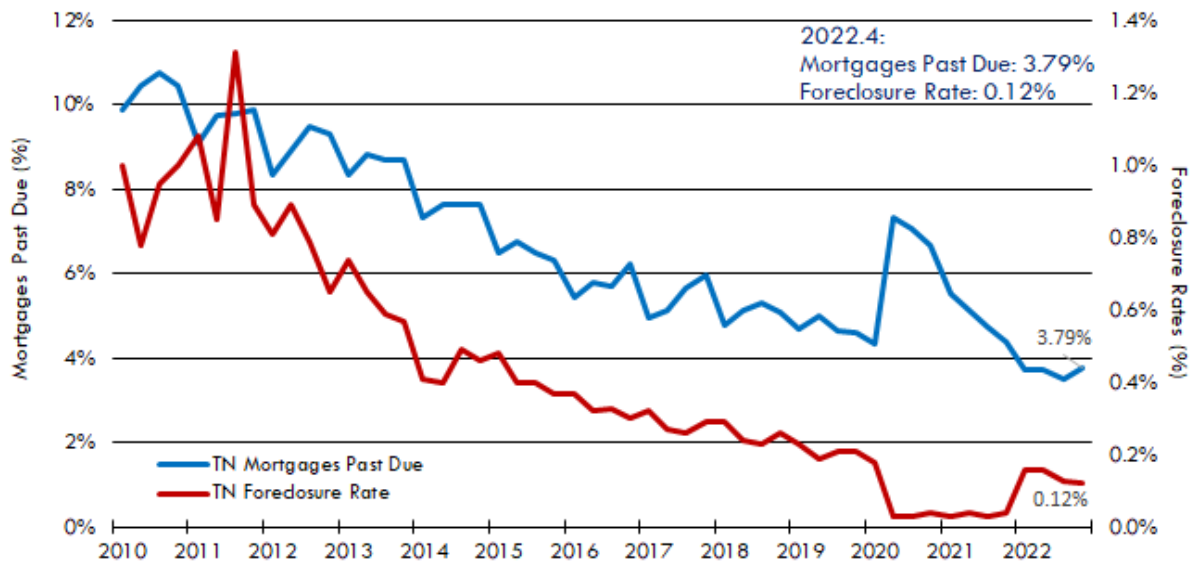
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

In Q4 2022, Tennessee observed a rise in mortgage delinquencies (0.26 percentage points) and a slight decrease in foreclosure rates (0.01 percentage points). Similarly, the United States had an increase of 0.33 percentage points in mortgage delinquencies and a decline of 0.01 percentage points in foreclosure rates.

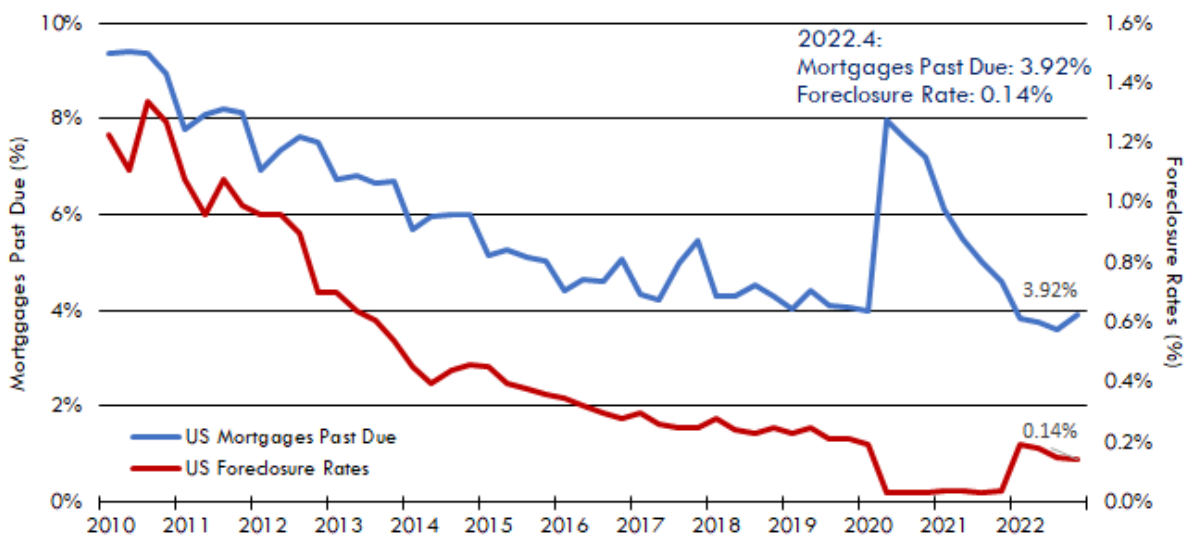
Annual foreclosure rates grew for both Tennessee and the United States. Tennessee experienced a 0.08 percentage-point increase, while the United States saw a 0.10 percentage-point increase. Conversely, mortgage delinquencies decreased for Tennessee (0.61 percentage points) and the United States (0.71 percentage points).

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

Housing permits kept declining in Q4 2022

Economic indicators for Q4 2022 show positive economic performance, except for the ongoing quarterly decline in crucial housing indicators. A few bright spots in Tennessee's housing market are the quarterly decline of the homeowner vacancy rate and increasing home prices

However, across the board, drops in housing permits over the year and quarter are likely to generate pressure on the housing market and overall economy. Regarding housing inventories, a slight improvement is visible across the MSAs. However, this improvement is because of a decline in closings across the three major MSAs.



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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)