

HOUSING

T E N N E S S E E

1st Quarter 2019

Tennessee dashboard 1st quarter 2019

(percent change over the year)

Weekly Unemployment Claims	▼	-9.07	Total Home Permits*	▲	+13.16
Total Nonfarm Employment*	▲	+1.81	Mortgage Tax Collections	▼	-5.38
Unemployment Rate (percentage points)*	▼	-0.14	Real Estate Transfer Tax Collections	▼	-2.04
Homeowner Vacancy Rate (percentage points)	▼	-0.80	Home Prices*	▲	+7.25
Rental Vacancy Rate (percentage points)	▲	+0.90	Mortgages Past Due (percentage points)	▼	-0.06
Single-Family Home Permits*	▼	-9.41	Foreclosure Rate (percentage points)	▼	-0.06

*seasonally adjusted ▲ positive outcome for economy ▲ negative outcome for economy

Economic Overview

Eight of 12 indicators showed positive economic growth in the first quarter

Tennessee experienced growth in eight of 12 indicators, according to annual comparisons, for the first quarter of 2019. Most significantly, multifamily home permits were up 107.4%. Weekly unemployment claims were down 9.07%, and total home permits rose 13.16%. Foreclosure rates matched the lowest rates reported since the first quarter of 2000 at 0.23%.

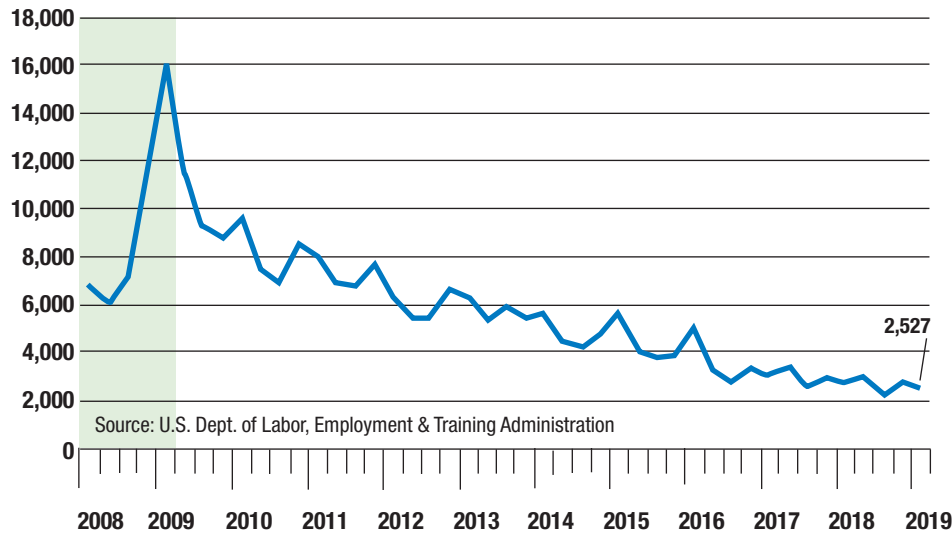
Both single-family permits and mortgage tax collections experienced continuous negative growth, based on annual comparison, for the previous two quarters, indicating a slowdown of the single-family segment of the housing market. Annual changes for single-family

permits were -5.48% for the fourth quarter of 2018 and -9.41% for this quarter, while mortgage tax collections fell 4.11% over the year for the fourth quarter of 2018 and 5.38% for this quarter.

Tennessee's employment indicators all indicate a positive outcome over the year: weekly unemployment claims decreased by 9.07%, total nonfarm employment increased by 1.81% with all subsectors growing when compared quarterly and annually, and unemployment rates decreased by 0.14%. Further, both labor force and employment has increased when compared both quarterly and annually.

Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)



Weekly unemployment claims decreased by 9.07% over the year

Table 1. Selected Tennessee employment indicators

(thousands, seasonally adjusted)

Employment by industry (nonfarm)	2018.1	2018.2	2018.3	2018.4	2019.1
Total nonfarm	3,041	3,057	3,073	3,088	3,096
Goods-producing sectors	475	476	480	485	487
Manufacturing	350	350	354	355	356
Services-providing sectors	2,567	2,581	2,592	2,604	2,608
Labor force	3,222	3,238	3,254	3,255	3,276
Total employment	3,113	3,126	3,138	3,140	3,170
Unemployed	109	112	116	115	106
Unemployment rate	3.37%	3.47%	3.57%	3.53%	3.23%

Source: Bureau of Labor Statistics

Labor force and employment increased when compared both quarterly and annually

Vacancy Rates

Tennessee's homeowner vacancy rate is the lowest in 14 years

The homeowner vacancy rate in Tennessee fell 0.10% over the quarter and 0.80% over the year. Rental vacancy rates in Tennessee rose 0.40% for the quarter and 0.90% for the year.

For the United States, homeowner vacancy rates fell 0.10% both from the previous quarter and over the

year. The U.S. rental vacancy rate increased by 0.40% from last quarter, matching the previous year at 7.0%.

Longitudinally, the Tennessee homeowner vacancy rate (1.00%) is on par with the lowest rate in the previous 14 years. The U.S. homeowner vacancy rate (1.40%) is at a record low.

Figure 2. Homeowner vacancy rate

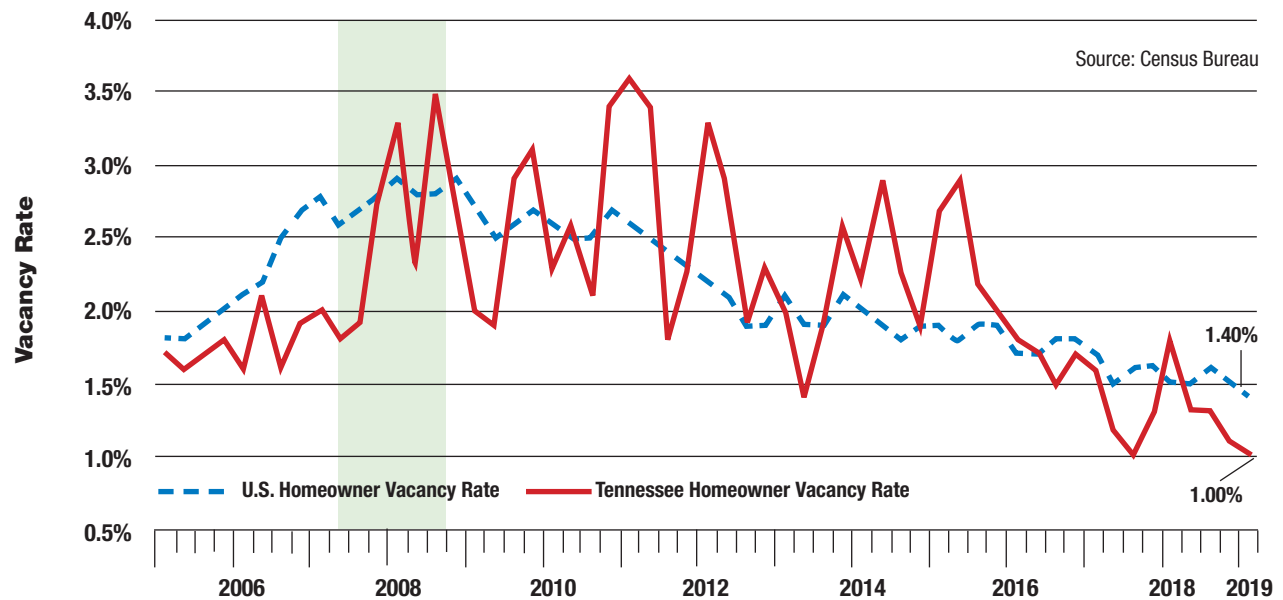
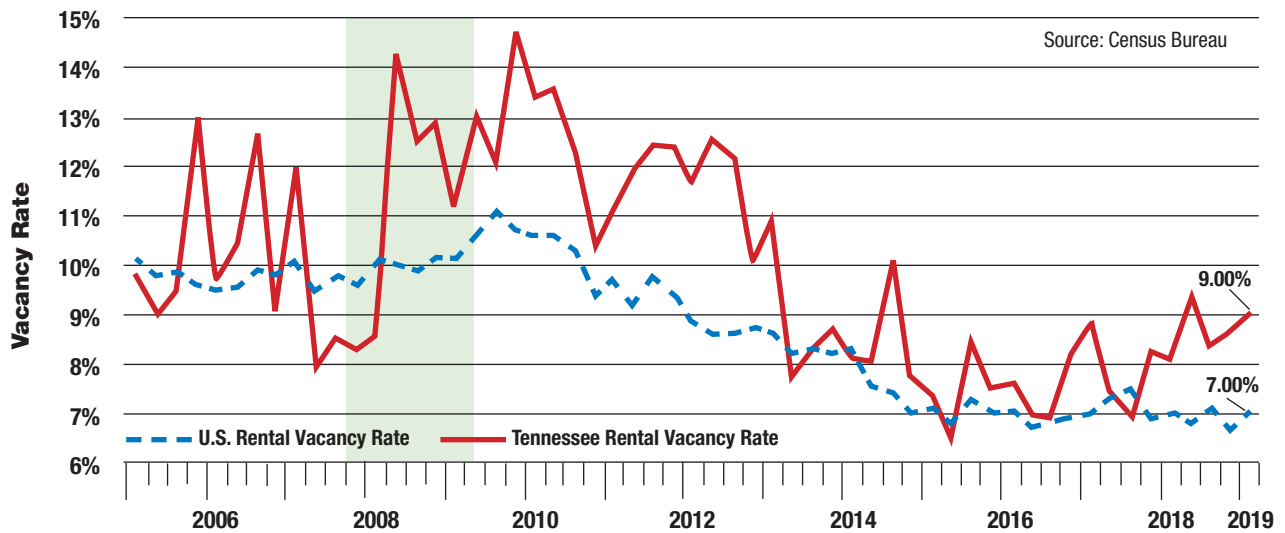


Figure 3. Rental vacancy rate



Housing Construction

Tennessee’s construction sector is being driven by multifamily construction activity

Tennessee single-family permits decreased 2.4% from the previous quarter. However, multifamily increased by 0.8% and total construction permits by 0.5% over the quarter.

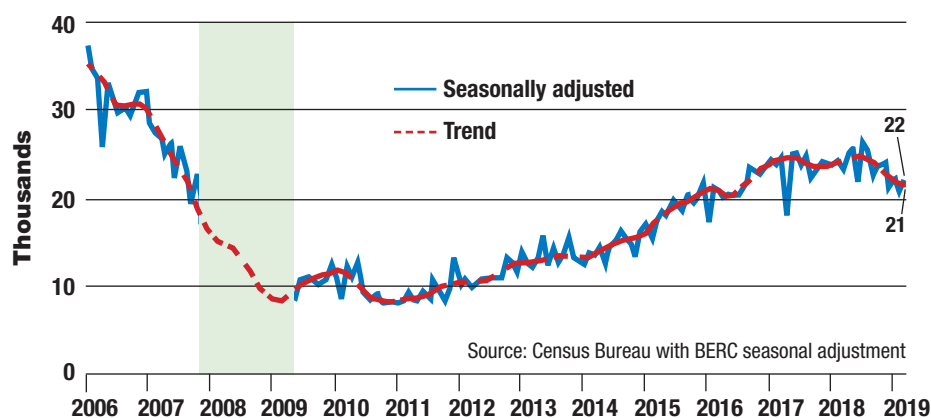
Compared to the previous year, Tennessee single-family permits fell 9.4%. Total permits increased by 13.16% and multifamily permits by a resounding 107.4%,

suggesting Tennessee’s construction sector is being driven by multifamily construction activity.

Compared to the South and the United States, Tennessee displayed the most significant negative growth for single-family permits over the year. However, Tennessee also exhibited the most significant annual growth for both multifamily and total permits.

Figure 4. Tennessee single-family home permits

(thousands, seasonally adjusted annual rate)



Multifamily home permits increased 107.4% over the year

Table 2. Permits issued for privately owned new housing

(thousands, seasonally adjusted annual rate)

Quarter	Single-Family Permits			Multifamily Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2016.1	24.2	385.9	729.6	18.8	178.9	411.5	40.3	572.0	1,141.1
2016.2	23.9	396.4	742.2	8.3	175.3	410.0	33.3	575.2	1,143.6
2016.3	25.4	403.9	740.5	8.3	182.1	454.4	33.7	587.9	1,197.5
2016.4	27.8	424.3	778.3	10.1	159.7	429.1	37.6	570.5	1,207.5
2017.1	28.9	445.5	811.1	8.9	167.2	431.2	37.7	624.7	1,242.0
2017.2	27.5	439.5	812.8	11.2	165.8	427.6	39.7	607.7	1,235.8
2017.3	28.1	440.2	818.9	14.1	168.9	439.5	41.8	609.5	1,258.1
2017.4	28.5	459.0	845.4	8.9	166.2	443.1	37.3	608.3	1,291.8
2018.1	29.1	466.7	862.4	5.7	181.4	475.3	34.6	653.7	1,355.6
2018.2	28.7	469.7	867.9	10.5	209.3	457.6	40.6	690.1	1,305.9
2018.3	29.2	467.3	855.0	14.4	194.9	437.2	43.1	662.6	1,289.3
2018.4	27.0	460.0	831.1	11.7	211.7	459.7	38.9	655.8	1,294.3
2019.1	26.3	452.0	805.3	11.8	196.2	479.8	39.1	660.6	1,287.1
Change from previous quarter	-2.4%	-1.7%	-3.1%	0.8%	-7.3%	4.4%	0.5%	0.7%	-0.6%
Change from previous year	-9.4%	-3.2%	-6.6%	107.4%	8.2%	1.0%	13.16%	1.1%	-5.1%

Source: Census Bureau

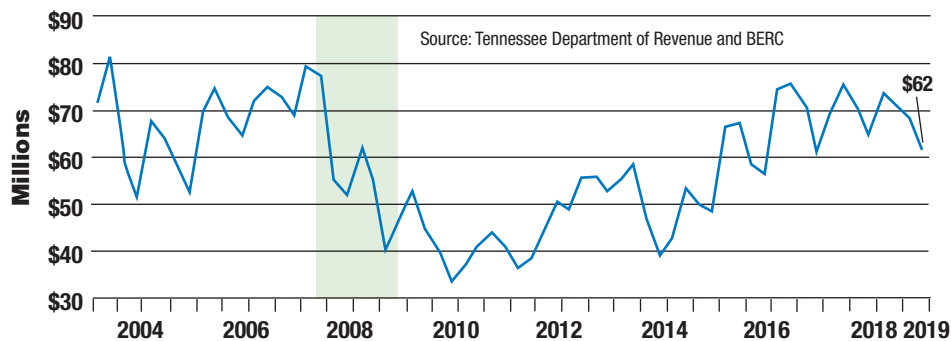
Real Estate Transactions & Mortgages

This quarter, Tennessee has exhibited a continued decrease for real estate transfer tax collections, with an approximate annual transfer rate of \$152 million. Real estate transfer tax collections decreased 9.16% for the quarter and 2.04% over the year.

The average quarterly mortgage tax collection was \$5.15 million per month, bringing the annual collection rate to approximately \$62 million. This is a decrease of 9.91% for the quarter and 5.38% over the year.

Figure 5. Mortgage tax collections

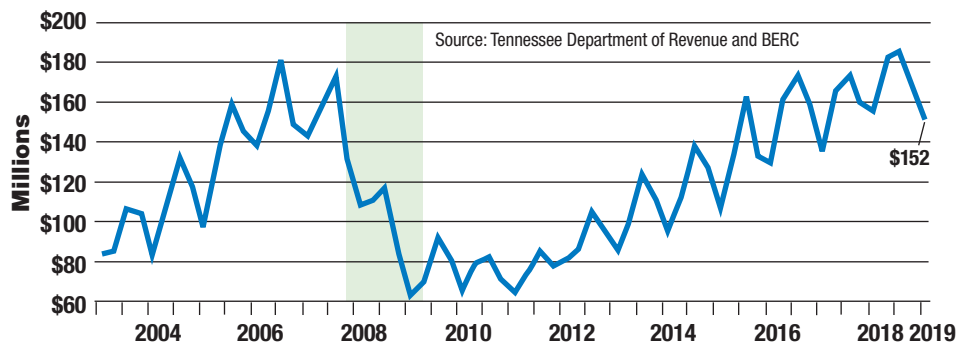
(millions, seasonally adjusted annual rate)



Mortgage tax collections fell 9.91% for the quarter and 5.38% over the year

Figure 6. Real estate transfer tax collections

(millions, seasonally adjusted annual rate)



Real estate transfer tax collections fell 9.16% for the quarter

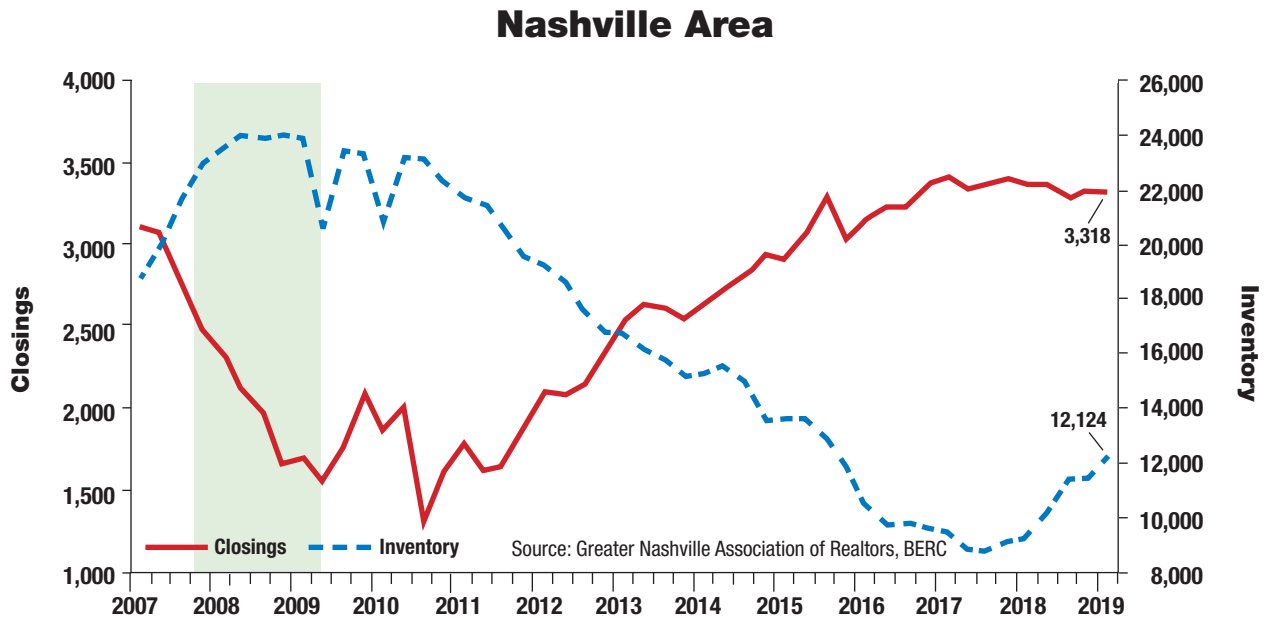
Home Sales

Nashville closings and inventory rose for the quarter

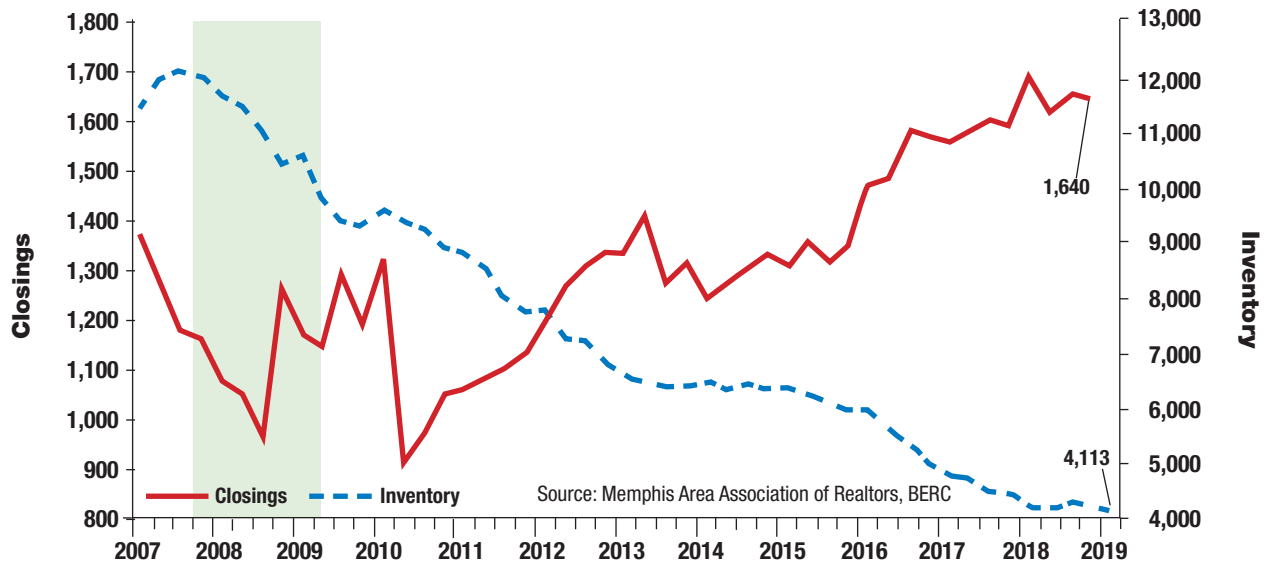
Quarterly data indicate Nashville is the only area that exhibited growth in closings, 0.02%, while closings fell 2.50% in Knoxville and 0.53% in Memphis. Only Nashville experienced an increase in inventory for the quarter, 7.22%, while inventories declined 4.15% in Knoxville and 1.42% in Memphis.

Over the year, Nashville inventory rose 31.36%, while inventories fell 7.56% in Knoxville and 2.35% in Memphis. Memphis closings rose 3.38% for the year, while closings declined 1.30% in Nashville and 2.74% in Knoxville.

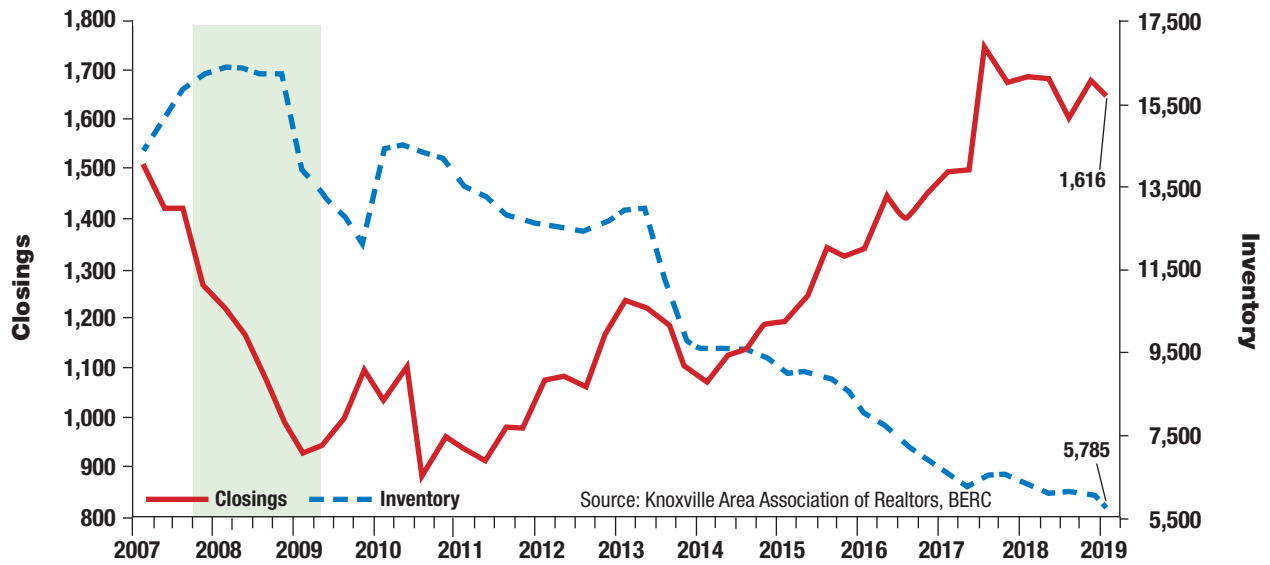
Figure 7. Single-family sales and inventory



Memphis Area



Knoxville Area



Home Prices

Home prices increased across all MSAs, Tennessee, and the U.S. over the year

Compared to 2018's first quarter, housing prices increased across all MSAs, Tennessee, and the United States. The most significant increases in housing prices were in Nashville (8.6%) and Knoxville (8.2%). The least significant change was in the Kingsport-Bristol MSA, with an increase of 1.8%. Tennessee's annual housing price increased 7.3%, exceeding the U.S. increase of 5.5%.

The quarterly growth rate slowed in six of the 10 MSAs, Tennessee, and the United States. The most significant decrease was in the Clarksville MSA (5.1%). Four MSAs experienced positive growth, most significantly Johnson City (2.0%).

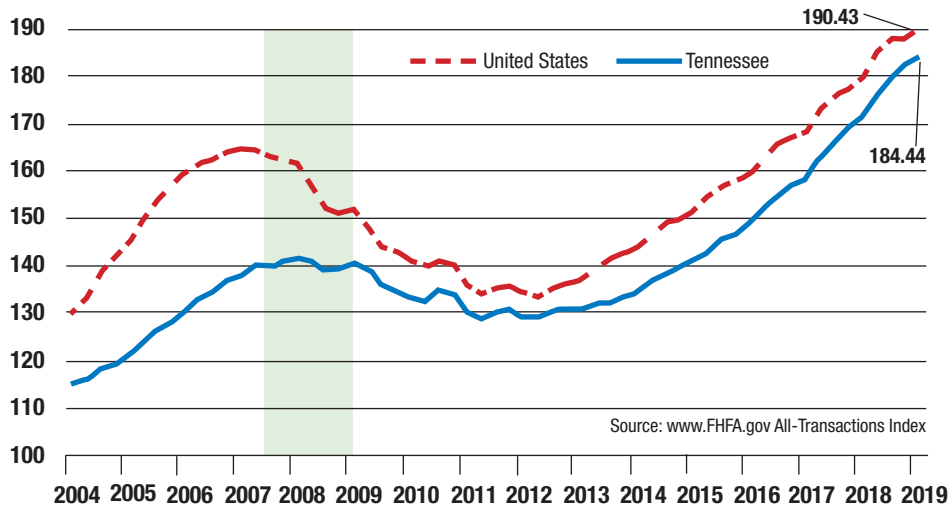
Table 3. Change in housing prices year to year

Area	2017.2–2018.2	2017.3–2018.3	2017.4–2018.4	2018.1–2019.1
Chattanooga MSA	7.0%	6.0%	5.6%	5.9%
Clarksville MSA	7.6%	10.7%	10.3%	5.2%
Cleveland MSA	8.0%	4.2%	8.0%	3.3%
Jackson MSA	6.2%	7.0%	10.2%	7.8%
Johnson City MSA	4.2%	6.7%	2.0%	4.0%
Kingsport-Bristol MSA	0.7%	4.4%	3.5%	1.8%
Knoxville MSA	7.3%	6.9%	8.7%	8.2%
Memphis MSA	6.7%	5.9%	7.0%	7.4%
Morristown MSA	5.2%	5.0%	3.8%	5.4%
Nashville MSA	10.0%	10.0%	9.1%	8.6%
Tennessee	8.2%	7.8%	7.8%	7.3%
United States	6.8%	6.7%	6.1%	5.5%

Source: FHFA All-Transactions Index

Over the year, the most significant increases in housing prices were in Nashville and Knoxville

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



Tennessee's annual housing price increased 7.3%, exceeding the U.S. increase of 5.5%

Mortgage Delinquencies, Foreclosures

Tennessee and U.S. foreclosure rates decreased for the quarter and over the year

Tennessee's quarterly foreclosure rate matches the United States at 0.23%. Foreclosures decreased 0.03% in Tennessee and 0.02% in the United States from the previous quarter. Compared to the first quarter of 2018, foreclosures fell 0.06% in Tennessee and 0.05% in the United States.

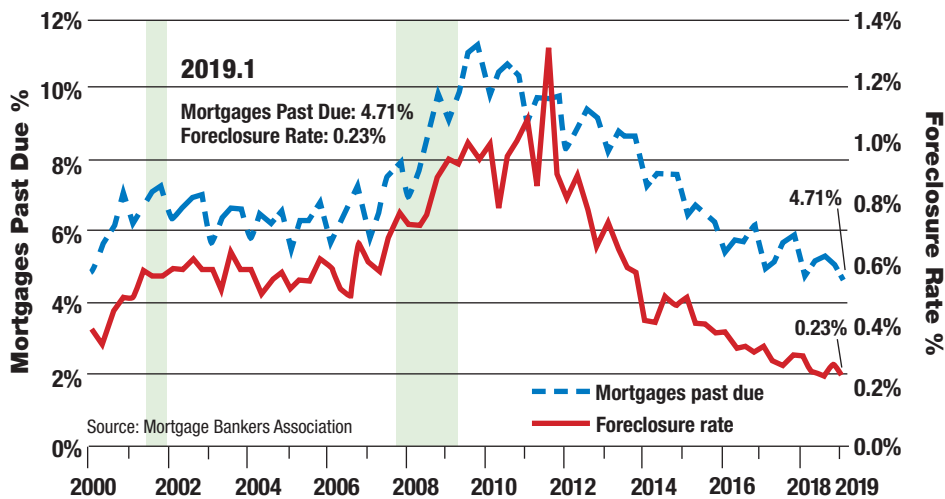
Mortgage delinquencies in Tennessee are at 4.71%, down 0.06% from the first quarter of 2018. The United

States mortgage delinquency rate is 4.04%, an annual decrease of 0.26%.

An examination of longitudinal data for Tennessee and the United States reveals the foreclosure rate (0.23%) is on par with the lowest reported since the first quarter of 2000.

Figure 9. Tennessee mortgages past due and foreclosure rate

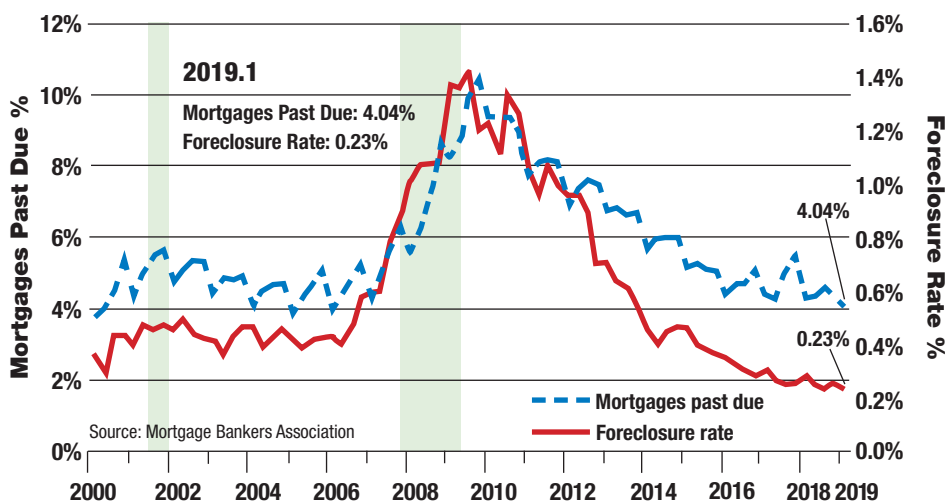
(percent of mortgages in place)



Tennessee's quarterly foreclosure rate matches the U.S. at 0.23%

Figure 10. United States mortgages past due and foreclosure rate

(percent of mortgages in place)



The state and national foreclosure rate of 0.23% is the lowest since the first quarter of 2000

Conclusion

Single-family permits slow; other economic indicators signal a strong upward trend

Tennessee's housing report for the first quarter of 2019 shows mixed signals for the economy. Overall, while major economic fundamentals recorded significant positive growth in the previous two quarters, single-family permits are experiencing a significant slowdown: decreases of 5.5% in the fourth quarter of 2018 and 9.4% for the first quarter of 2019.

Economic indicators, however, indicate a strong upward trend. Employment rates, including nonfarm employment, and the labor force have experienced continuous quarterly growth. Finally, unemployment rates have seen a decline for the previous two quarters.



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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)