

# HOUSING

T E N N E S S E E

## 3RD Quarter 2019

### Tennessee dashboard 3rd quarter 2019

(percent change over the year)

Weekly Unemployment Claims	▲	+6.39	Total Home Permits*	▼	-5.15
Total Nonfarm Employment*	▲	+1.53	Mortgage Tax Collections	▲	+24.97
Unemployment Rate (percentage points)*	▼	-0.07	Real Estate Transfer Tax Collections	▲	+16.13
Homeowner Vacancy Rate (percentage points)	▲	+1.10	Home Prices*	▲	+6.04
Rental Vacancy Rate (percentage points)	▲	+3.40	Mortgages Past Due (percentage points)	▼	-0.68
Single-Family Home Permits*	▲	+5.45	Foreclosure Rate (percentage points)	▼	-0.02

\*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

## Economic Overview

### Most indicators were positive for the third quarter

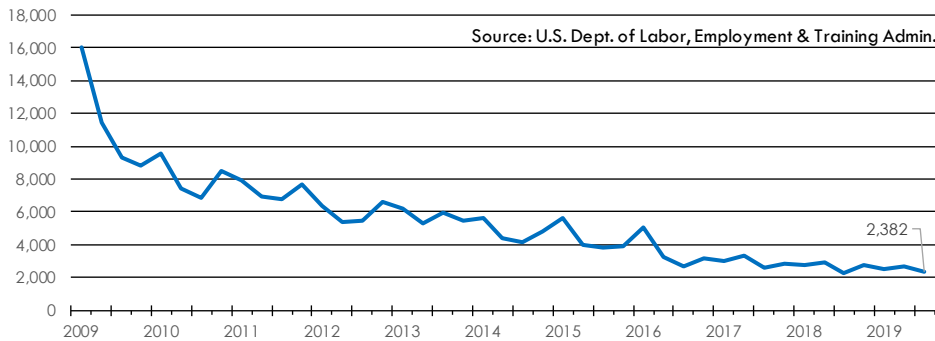
Tennessee has shown positive economic outcomes for eight of the 12 economic indicators over the last year. The most significant for Tennessee's economy are the sharp increases in both mortgage (24.97%) and real estate transfer (16.13%) tax collections. Weekly unemployment claims have risen 6.39% compared to last year. However, this figure is relatively low compared to the weekly unemployment claims rate throughout the decade. Further, total home permits have decreased by 5.15% and multi-family home permits have decreased by 25.8%.

Quarterly comparisons show positive outcomes for Tennessee's economy as well. Over the quarter, mortgage and real estate transfer tax collections show significant growth of 15.46% and 10.23% respectively.

With one exception (unemployed), Tennessee's employment indicators show positive outcomes for Tennessee's economy when compared to last year. The most growth is in Tennessee's total employment, which increased 3.22%. However, Tennessee's unemployed increased by 0.86% over the year and by 7.34% over the quarter.

**Figure 1. Tennessee initial claims for unemployment insurance**

(quarterly averages of weekly data, seasonally adjusted)



**Weekly unemployment claims rose 6.39% but remain low for the decade**

**Table 1. Selected Tennessee employment indicators**

(thousands, seasonally adjusted)

	2018.3	2018.4	2019.1	2019.2	2019.3
Employment by industry (nonfarm)					
Total nonfarm	3,073	3,088	3,096	3,104	3,120
Goods-producing sectors	480	485	487	488	489
Manufacturing	354	355	356	356	357
Services-providing sectors	2,592	2,604	2,608	2,632	2,631
Labor force	3,254	3,255	3,276	3,321	3,327
Total employment	3,138	3,140	3,170	3,212	3,239
Unemployed	116	115	106	109	117
Unemployment rate	3.57%	3.53%	3.23%	3.30%	3.50%

Source: Bureau of Labor Statistics

**Most of Tennessee's employment indicators are positive**

# Vacancy Rates

## Rental vacancy rates

The homeowner vacancy rate in Tennessee (2.40%) has increased over both the quarter and the year, by 0.90 percentage points and 1.10 percentage points, respectively. Rental vacancy rates (11.80%) have increased sharply compared to last year, by 3.40 percentage points. The increase since last quarter was 1.30 percentage points. Tennessee's rental vacancies have increased every quarter since the third quarter of 2018.

For the United States, homeowner vacancy rates (1.40%) fell 0.20 percentage points over the year, but have increased 0.10 percentage points over the quarter. The rental vacancy rate (6.80%) decreased 0.30 percentage points compared to last year but have remained constant since last quarter.

Figure 2. Homeowner vacancy rate

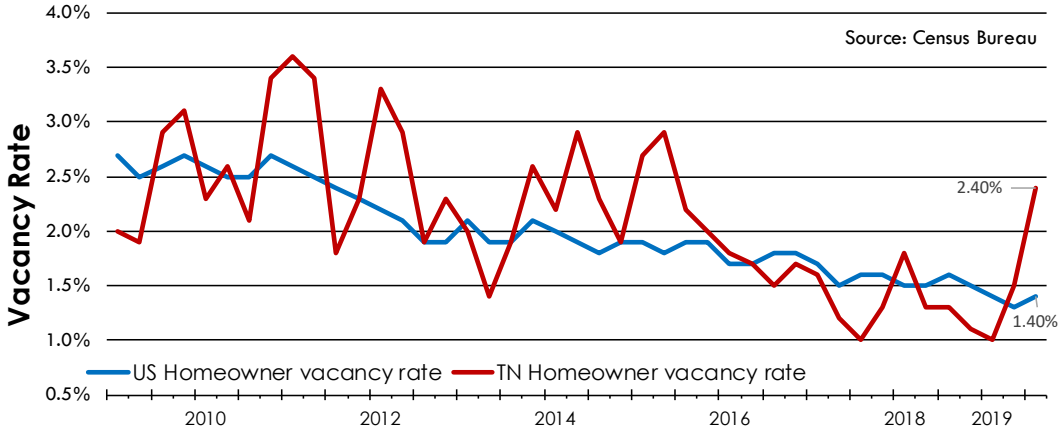
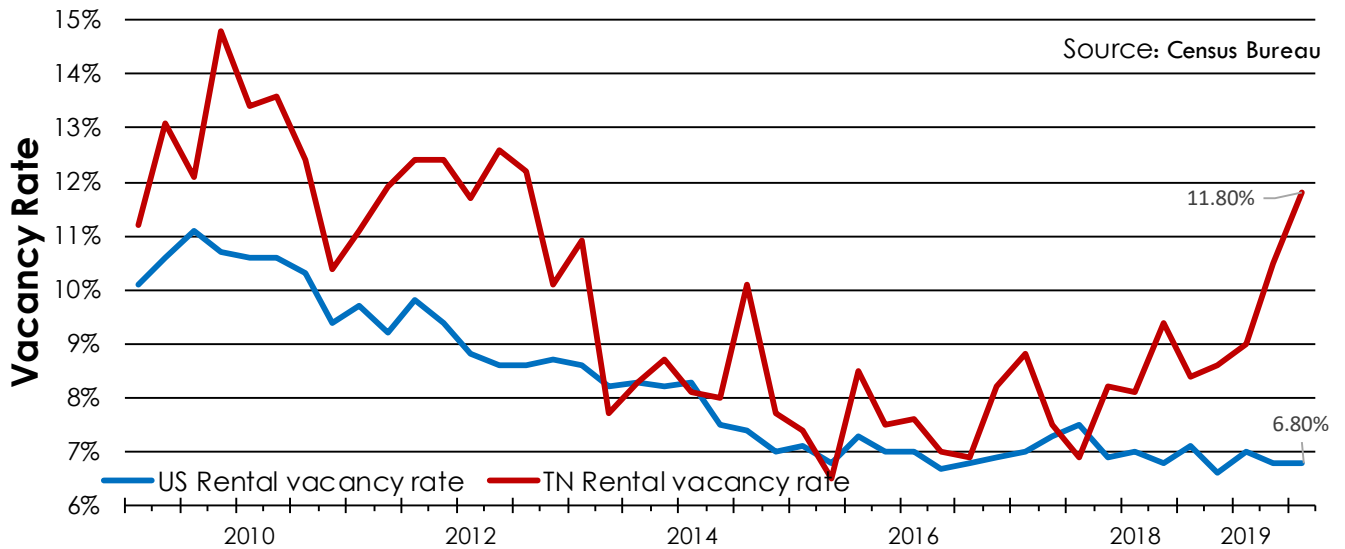


Figure 3. Rental vacancy rate



## Housing Construction

Compared to last quarter, Tennessee experienced growth in both single and multi-family home permits: 5.5% and 3.5%, respectively. However, Tennessee experienced a slight decline (-1.4%) in total housing permits.

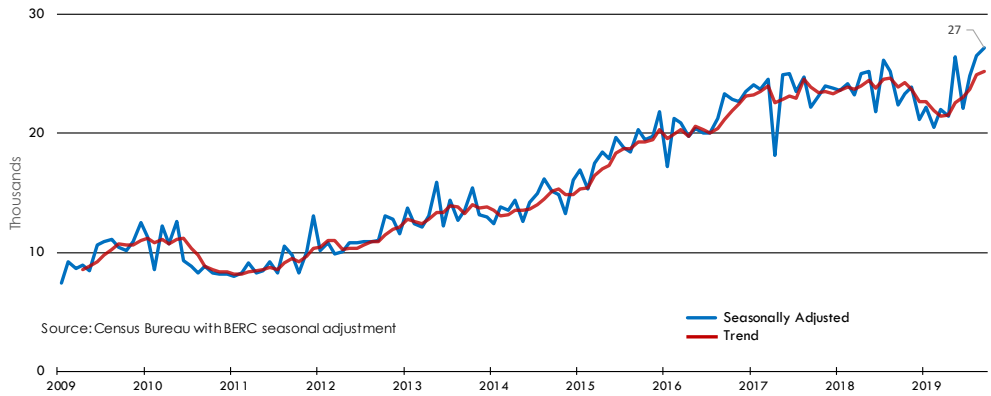
Compared to last year, Tennessee single-family home permits have increased by 5.5%. However, both multi-family and total permits have decreased, with multi-family permits decreasing 25.8% compared to last year.

Tennessee's growth in single-family home permits

indicates an upward trend for consumer spending. There was not only an increase of single-family housing permits when compared to the previous year, but there has also been an increase in permits for the previous three quarters.

Of Tennessee, the South, and the United States, only Tennessee experienced negative growth in any of the construction permit types for both the quarter and the year. The most considerable disparity was in multi-family housing construction permits, in which both the South and the United States experienced considerable growth.

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



**Tennessee experienced growth in both single- and multi-family home permits**

**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.
2016.3	25.3	403.5	738.3	8.2	180.9	450.2	33.3	588.6	1,195.4
2016.4	27.7	422.5	786.2	9.9	161.1	429.7	37.0	574.1	1,206.9
2017.1	29.1	445.7	814.5	8.7	167.7	432.2	37.0	620.2	1,241.3
2017.2	27.6	441.3	804.4	11.7	164.9	430.5	41.5	608.6	1,239.7
2017.3	27.8	439.7	815.9	14.1	167.6	434.9	41.2	609.7	1,254.8
2017.4	28.6	456.4	855.6	8.7	168.2	443.9	36.6	612.9	1,291.1
2018.1	29.3	467.4	872.7	5.4	182.1	476.8	35.5	648.5	1,353.5
2018.2	28.8	472.1	858.4	11.1	208.1	460.5	41.2	691.4	1,312.7
2018.3	28.8	466.4	849.3	14.4	193.3	432.2	42.2	662.7	1,284.7
2018.4	27.1	457.2	831.3	11.5	213.9	460.2	38.2	660.3	1,293.3
2019.1	26.6	452.0	812.4	11.5	197.3	482.4	38.7	655.5	1,286.7
2019.2	28.7	456.6	817.4	10.3	210.5	464.9	40.6	669.5	1,285.6
2019.3	30.3	492.3	863.6	10.7	232.8	522.8	40.1	727.9	1,389.2
Change from previous quarter	5.6%	7.8%	5.7%	3.5%	10.6%	12.4%	-1.4%	8.7%	8.1%
Change from previous year	5.5%	5.6%	1.7%	-25.8%	20.4%	21.0%	-5.1%	9.8%	8.1%

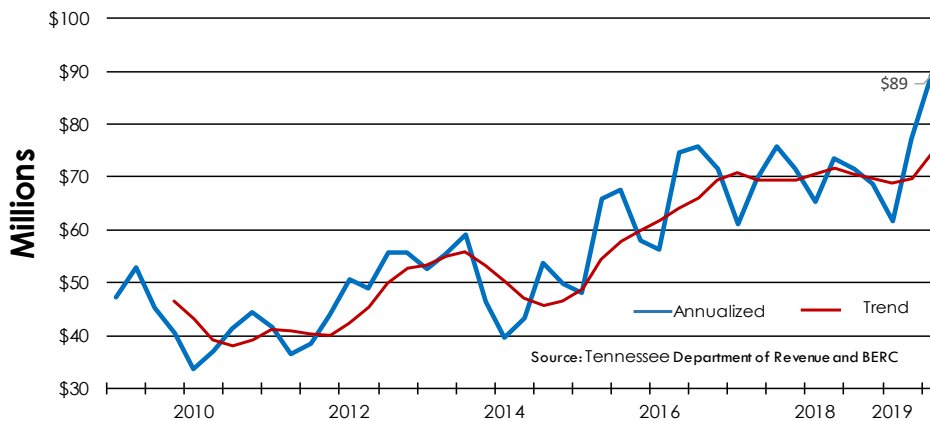
Source: Census Bureau

# Real Estate Transactions & Mortgages

Tennessee has continued to experience sharp increases in real estate transfer tax collections, bringing the approximate annual transfer rate to \$215 million. Real estate transfer tax collections have increased 10.23% for the quarter and 16.3% for the year, continuing the trend of considerable growth.

Likewise, Tennessee's mortgage tax collections have shown considerable growth. Quarterly tax collections averaged \$7.4 million, bringing the annualized collection rate to \$89 million. This represents 24.97% growth over last year and a 15.46% growth over the quarter.

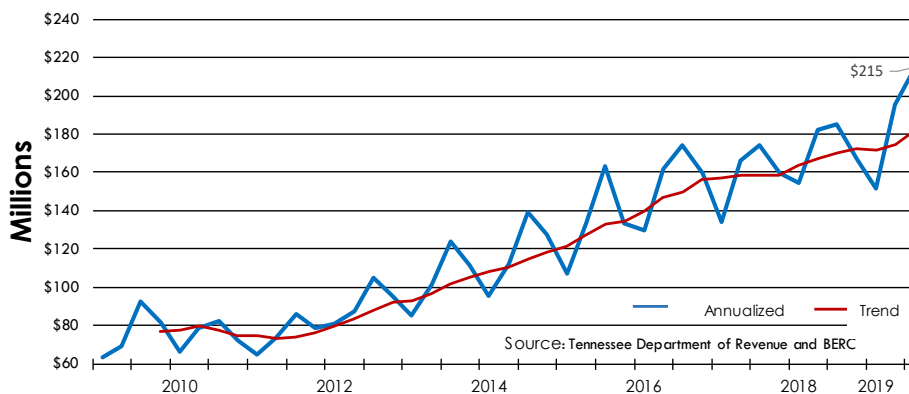
**Figure 5. Mortgage tax collections**



**Mortgage tax collections increased almost 24.97% for the year**

**Figure 6. Real estate transfer tax collections**

(millions, seasonally adjusted annual rate)



**Real estate transfer tax increased 16.3% over the year**

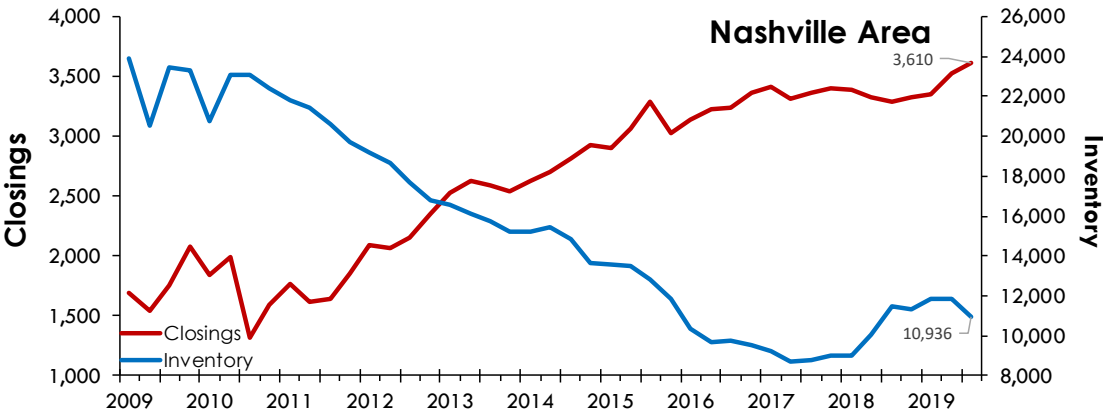
# Home Sales

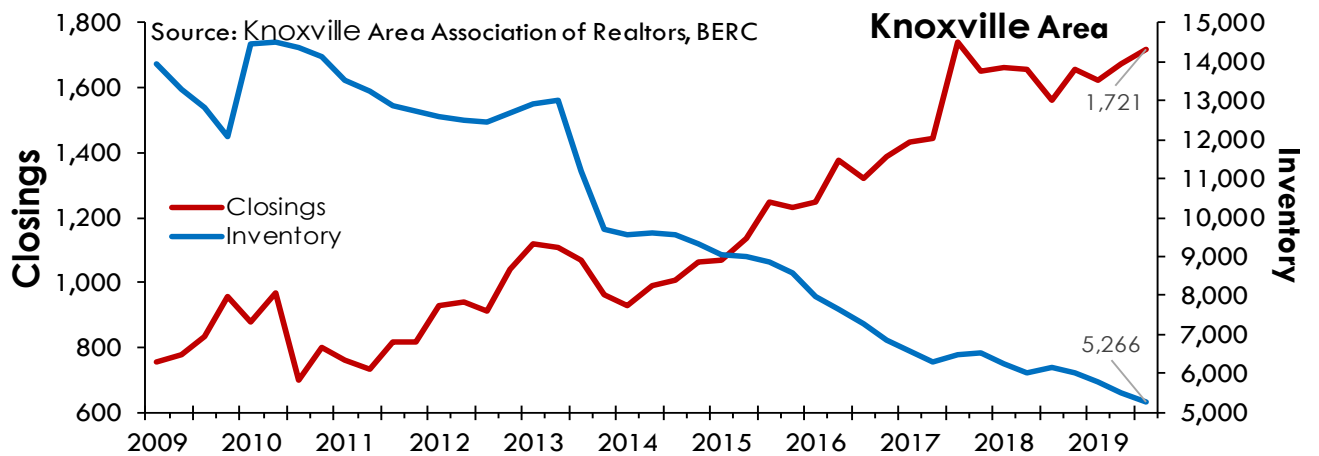
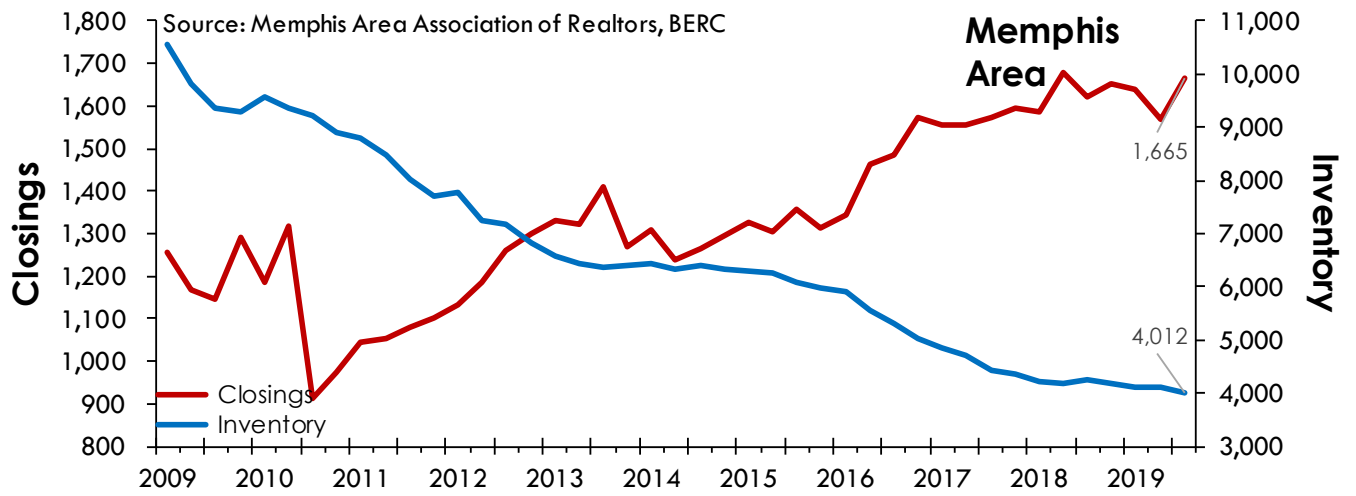
## Nashville, Knoxville, Memphis growth in closings

Quarterly data indicate that Nashville, Knoxville and Memphis areas all exhibited growth in closings: 2.55%, 2.47% and 6.21%, respectively. Inventories in all areas exhibited declines for the quarter: Nashville by 7.92%, Knoxville by 4.34% and Memphis by 2.70%.

All areas experienced increases in closings over the year, with Nashville and Knoxville having considerable increases. Nashville closings increased 9.77%, Knoxville 10.21%, and Memphis 2.74%. Over the year, all three areas experienced decreases in inventories: Nashville inventories declined 4.61%, Memphis declined 5.72%, and Knoxville experienced the sharpest decline at 14.39%.

Figures 7, 8, and 9. Single-family sales and inventory in MSAs







# Home Prices

## Home prices increase in MSAs, Tennessee, and United States

Compared to the third quarter of 2018, housing prices have increased across all MSAs, Tennessee and the United States. The most significant increase was in the Morristown MSA (8.1%). The least significant of these increases were in the Jackson and Johnson City MSAs: increases of 3.9% and 3.8%, respectively.

Tennessee's annual change in housing prices has exceeded the United States for the last four years.

However, the quarterly growth rate slowed in seven of the 10 MSAs, Tennessee and the United States. The most significant slowdowns occurred in the Johnson City MSA, a decrease of 4.5 percentage points. Three of the 10 MSAs experienced better growth rates than the second quarter of 2019, with Morristown being the most significant at 3.5 percentage points.

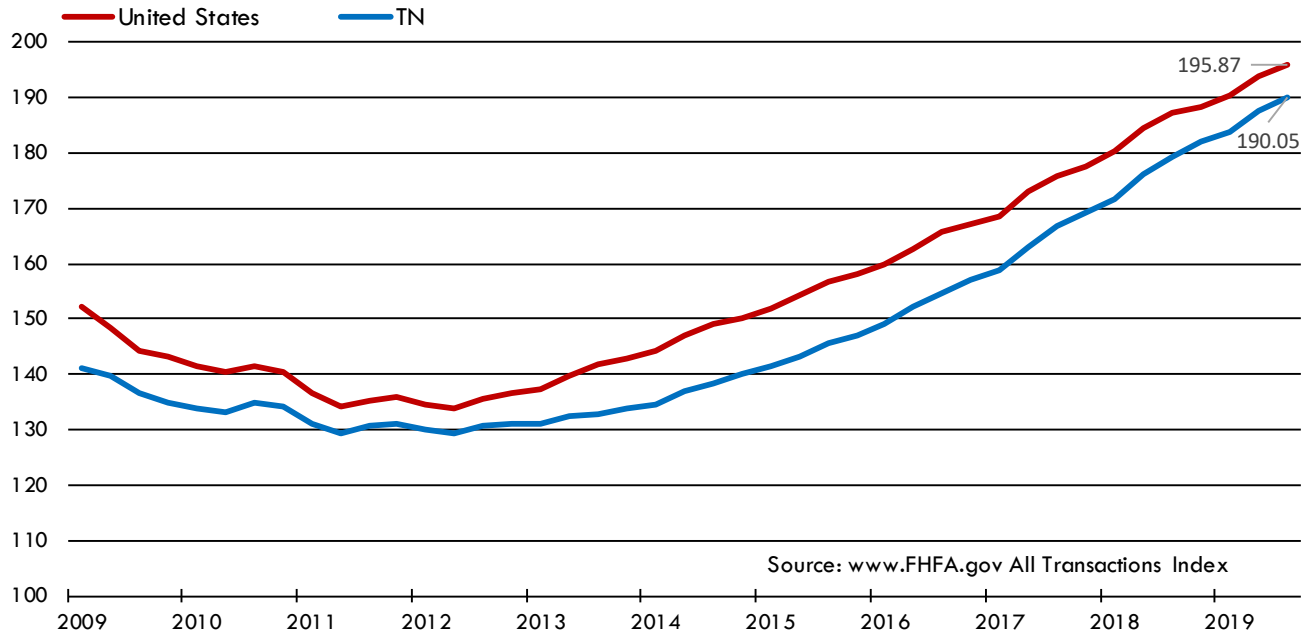
**Table 3. Change in housing prices year to year**

Area	2017.4–2018.4	2018.1–2019.1	2018.2–2019.2	2018.3–2019.3
Chattanooga MSA	6.4%	6.4%	6.5%	6.4%
Clarksville MSA	9.1%	5.0%	5.6%	5.8%
Cleveland MSA	6.7%	3.1%	8.6%	6.1%
Jackson MSA	8.7%	7.7%	7.1%	3.9%
Johnson City MSA	1.6%	3.5%	8.3%	3.8%
Kingsport-Bristol MSA	3.1%	1.6%	9.0%	5.3%
Knoxville MSA	9.0%	7.9%	6.8%	6.6%
Memphis MSA	7.0%	6.9%	5.5%	6.4%
Morristown MSA	5.5%	7.3%	4.7%	8.1%
Nashville MSA	8.8%	8.3%	6.4%	5.5%
Tennessee	7.7%	7.1%	6.5%	6.0%
United States	6.1%	5.7%	5.2%	4.6%

Source: FHFA All-Transactions Index

**The most significant increase in home prices was in the Morristown MSA**

Figure 10. Tennessee FHFA house price index (2000 = 100.0)



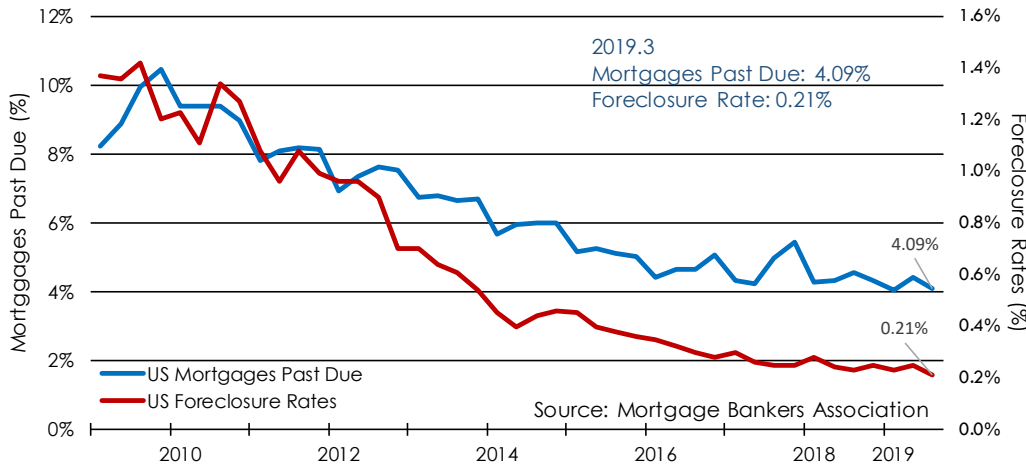
## Mortgage Delinquencies, Foreclosures

### Foreclosure rates

Foreclosure rates in Tennessee are at 0.21%. This is an increase of 0.02 percentage points when compared to last quarter. However, this is a 0.02 percentage point decrease when compared to last year. Foreclosures in the United States are 0.21%. This is a 0.04 percentage point decrease when compared to the last quarter and last year.

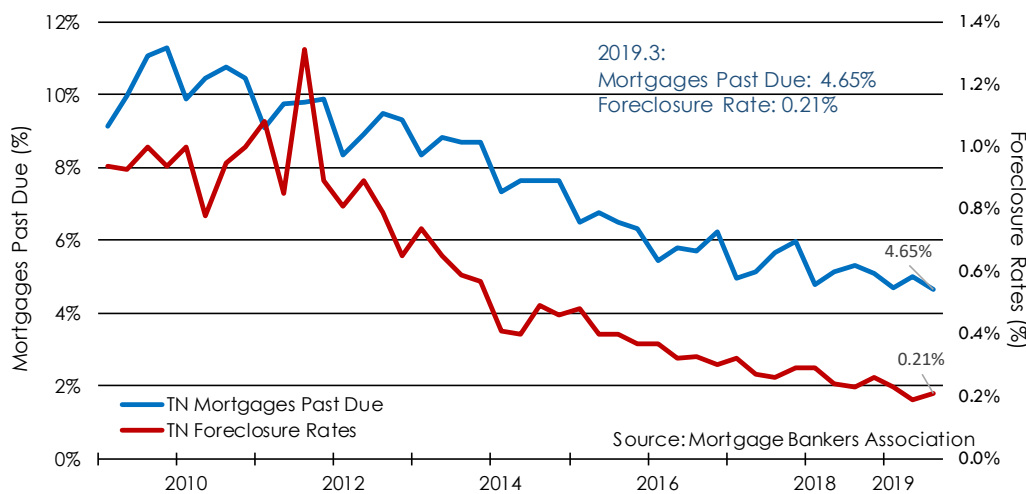
Tennessee's mortgage delinquency rate is 4.65%. This is a decrease from both last quarter and last year: decreases of 0.35 percentage points and 0.68 percentage points, respectively. The United States' mortgage delinquency rate is 4.09%, decreasing 0.32 percentage points for the quarter and 0.45 percentage points for the year.

**Figure 11. Tennessee mortgages past due and foreclosure rate**  
(percent of mortgages in place)



**Foreclosure rates in Tennessee and the US are at 0.21% for the quarter**

**Figure 12. United States mortgages past due and foreclosure rate**  
(percent of mortgages in place)



**Tennessee's delinquency rates increased over the quarter and the year**

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# Conclusion

Despite a few downward trends, Tennessee's economy appears very promising for the third quarter of 2019. Many of the economic indicators show considerable upward trends. Both mortgage and real estate transfer tax collections have sharply increased.

Tennessee has seen a quarterly and annual increase in single-family home permits. Further, Tennessee's mortgage delinquencies have decreased over the quarter and the year.

However, multi-family home permits have decreased 25.8% compared to last year, indicating a decline in new projects. In addition, Tennessee's homeowner and rental vacancy rates have shown sharp increases for the quarter.



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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)