

HOUSING

T E N N E S S E E

4th Quarter 2018

Tennessee dashboard 4th quarter 2018

(percent change over the year)

Weekly Unemployment Claims	▼	-2.80	Total Home Permits*	▲	+4.12
Total Nonfarm Employment*	▲	+2.05	Mortgage Tax Collections	▼	-4.11
Unemployment Rate (percentage points)*	▲	+0.23	Real Estate Transfer Tax Collections	▲	+4.76
Homeowner Vacancy Rate (percentage points)	▼	-0.20	Home Prices*	▲	+7.41
Rental Vacancy Rate (percentage points)	▲	+0.40	Mortgages Past Due (percentage points)	▼	-0.88
Single-Family Home Permits*	▼	-5.48	Foreclosure Rate (percentage points)	▼	-0.03

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

Economic Overview

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

Tennessee displayed growth in eight of the 12 economic indicators shown in the dashboard above in annual comparisons for the fourth quarter of 2018. The most significant positive economic outcome for the quarter in Tennessee is for home prices, which increased 7.41%. Other notable positive changes were in real estate transfer tax collections, up 4.76%, and total home permits, which rose 4.12% for the quarter. Tennessee home prices showed annual growth trends for all quarters in 2018.

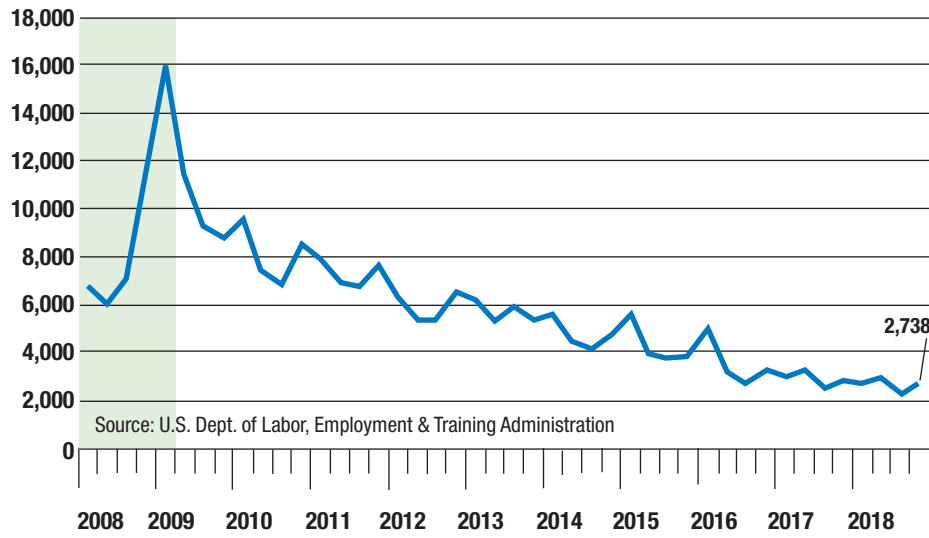
The most considerable negative outcomes for Tennessee's economy are in single-family home permits, down 5.48%, and mortgage tax collections,

which fell 4.11%. Both indicators declined from the third quarter and also over the year.

Two of Tennessee's three employment indicators display a positive outcome for the economy: weekly unemployment claims fell 2.80%, and total nonfarm employment increased 2.05%. Total nonfarm employment, including all subsectors, has shown continuous growth when examined quarterly for the previous year. Additionally, Tennessee's total labor force has shown consistent increases quarterly for 2018. Tennessee's unemployment rate increased overall compared to 2017, but unemployment rates for the fourth quarter of 2018 declined from the third quarter.

Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)



Weekly unemployment claims fell 2.80% over the year

Table 1. Selected Tennessee employment indicators

(thousands, seasonally adjusted)

	2017.4	2018.1	2018.2	2018.3	2018.4
Employment by industry (nonfarm)					
Total nonfarm	3,026	3,041	3,057	3,073	3,088
Goods-producing sectors	473	475	476	480	485
Manufacturing	348	350	350	354	355
Services-providing sectors	2,553	2,567	2,581	2,592	2,604
Labor force	3,220	3,222	3,238	3,254	3,255
Total employment	3,113	3,113	3,126	3,138	3,140
Unemployed	106	109	112	116	115
Unemployment rate	3.30%	3.37%	3.47%	3.57%	3.53%

Source: Bureau of Labor Statistics

Total nonfarm employment and labor force have shown consistent increases over 2018

Vacancy Rates

Tennessee's homeowner vacancy rate is down, but rental vacancy rate is up

The homeowner vacancy rate in Tennessee decreased 0.20% both over the quarter and over the year. Tennessee rental vacancy rates increased 0.20% for the quarter and 0.40% for the year.

For the United States, homeowner vacancy rates decreased 0.10% from both the previous year and

the previous quarter. Additionally, the national rental vacancy rate fell 0.50% for the quarter and 0.30% over the year. The U.S. rental vacancy rate is at its lowest since 2005. National homeowner vacancy rates are low compared to percentages before, during, and following the recession.

Figure 2. Homeowner vacancy rate

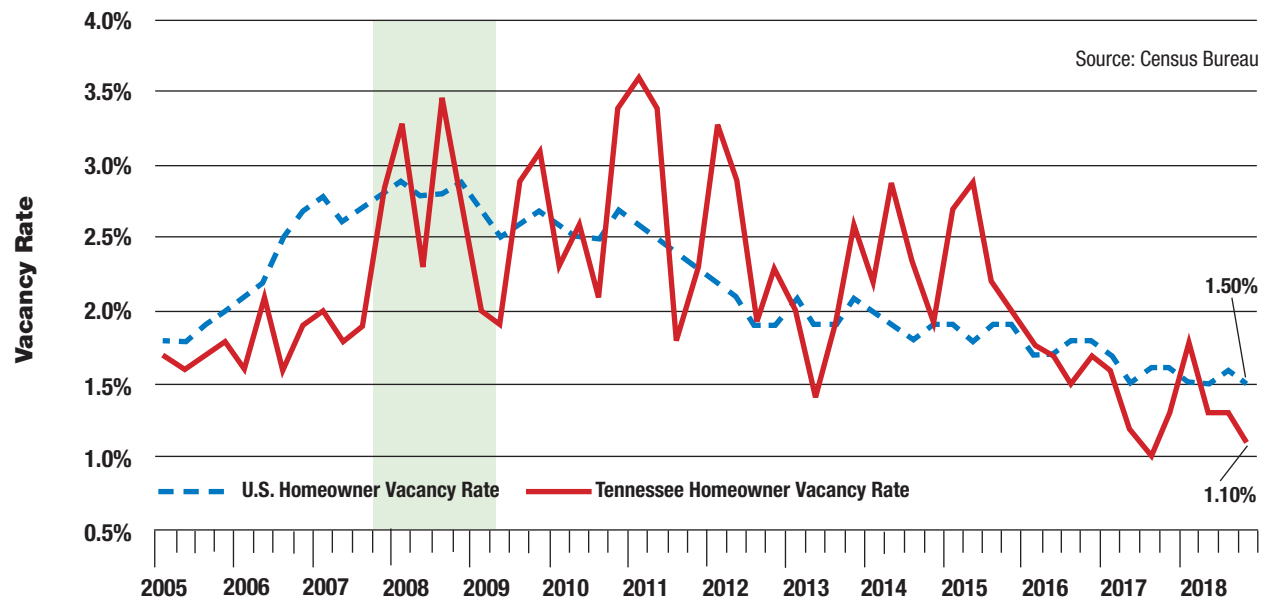
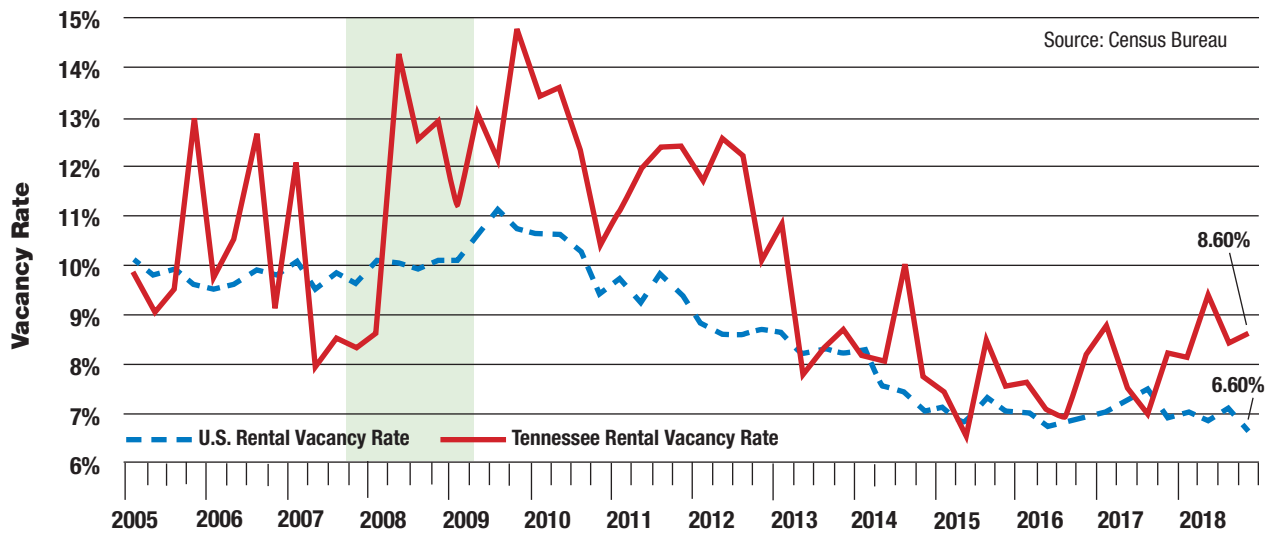


Figure 3. Rental vacancy rate



Housing Construction

Tennessee single-family, multifamily, and total permits all declined for the quarter

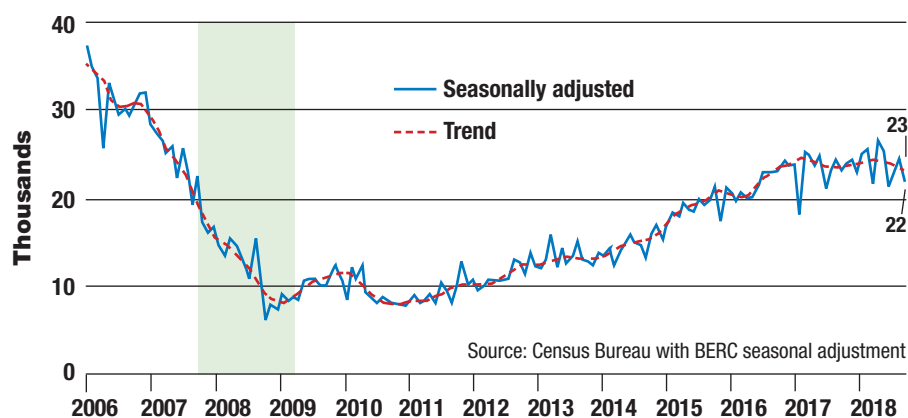
Tennessee exhibited negative growth in single-family, multifamily, and total construction permits compared to the previous quarter, with decreases of 7.2%, 20.0%, and 10.8%, respectively.

Compared to the previous year, Tennessee saw growth in both multifamily and total permits: 31.3% and 4.1%, respectively. Single-family permits decreased 5.5%.

Tennessee displayed more significant negative quarterly growth for all permit categories than either the South or the nation. Tennessee, the U.S., and the South all experienced negative quarterly growth trends for single-family units. The South saw positive annual growth for all permit categories. Additionally, Tennessee showed the strongest annual growth in multifamily permits.

Figure 4. Tennessee single-family home permits

(thousands, seasonally adjusted annual rate)



Multifamily permits grew 31.3% over the year but fell 20% for the quarter

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.
2015.4	24.1	392.3	712.3	16.9	201.0	477.6	40.6	586.5	1,198.7
2016.1	23.8	385.6	729.3	18.8	178.8	416.4	40.4	570.3	1,142.9
2016.2	24.1	396.3	741.6	8.5	176.0	409.6	33.3	575.0	1,142.8
2016.3	25.5	404.4	740.5	8.2	183.6	453.2	33.8	587.4	1,197.6
2016.4	27.9	424.6	779.7	10.0	157.6	426.1	37.5	573.5	1,206.5
2017.1	29.2	445.1	809.9	8.9	166.5	437.6	37.7	622.1	1,243.2
2017.2	27.2	439.4	812.1	11.4	167.0	427.2	39.7	607.8	1,236.5
2017.3	28.1	440.3	812.2	14.1	170.9	438.0	42.0	618.9	1,257.6
2017.4	28.7	459.4	847.8	8.8	163.1	439.5	37.1	612.2	1,290.8
2018.1	28.6	466.4	860.7	5.7	180.9	482.9	34.5	650.2	1,358.2
2018.2	29.0	469.6	866.5	10.7	211.0	457.1	40.8	690.3	1,305.5
2018.3	29.3	467.4	855.7	14.4	197.2	435.5	43.3	662.1	1,288.8
2018.4	27.2	460.3	843.3	11.5	207.5	455.5	38.6	660.0	1,293.8
Change from previous quarter	-7.2%	-1.5%	-2.5%	-20.0%	5.2%	4.6%	-10.8%	-0.3%	0.4%
Change from previous year	-5.5%	0.2%	-1.6%	31.3%	27.2%	3.6%	4.1%	7.8%	0.2%

Source: Census Bureau

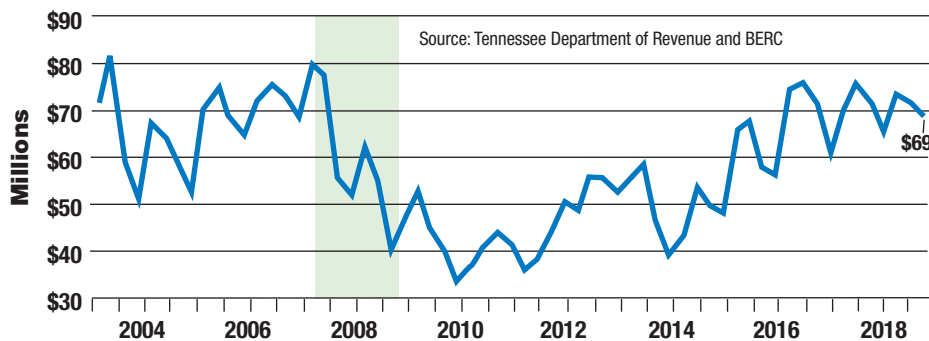
Real Estate Transactions & Mortgages

This quarter, Tennessee showed a decrease in real estate transfer tax collections, with an approximate annual transfer rate of \$167 million. Real estate transfer tax collections were up 4.8% over the year but down 9.8% for the quarter.

The average quarterly mortgage tax collection was \$5.7 million per month, bringing the annual mortgage tax collection rate to about \$69 million. This is a quarterly decrease of 3.98% and an annual decrease of 4.11%.

Figure 5. Mortgage tax collections

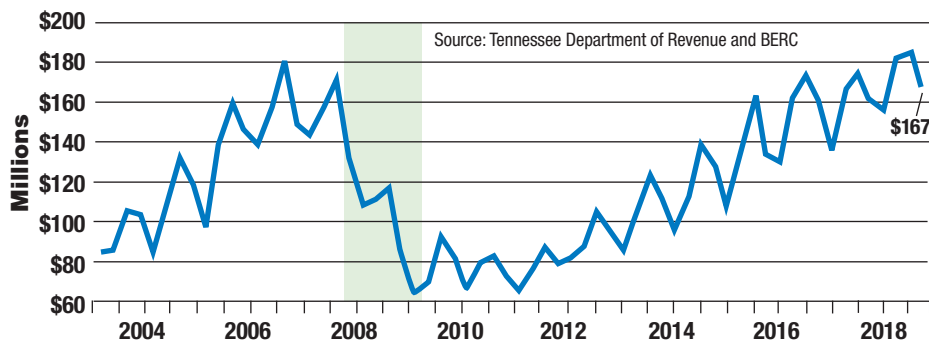
(millions, seasonally adjusted annual rate)



Mortgage tax collections decreased 3.98% for the quarter and 4.11% over the year

Figure 6. Real estate transfer tax collections

(millions, seasonally adjusted annual rate)



Real estate transfer collections are up 4.8% over the year but down 9.8% for the quarter

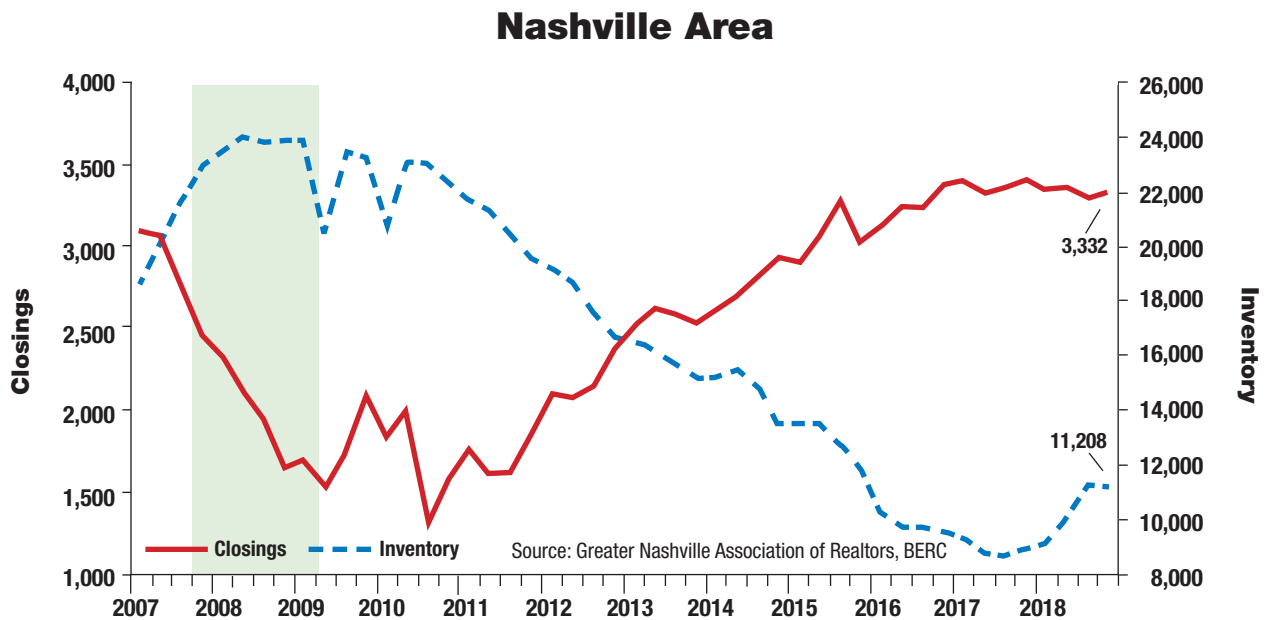
Home Sales

Closings are up and inventories down in Nashville, Knoxville, and Memphis

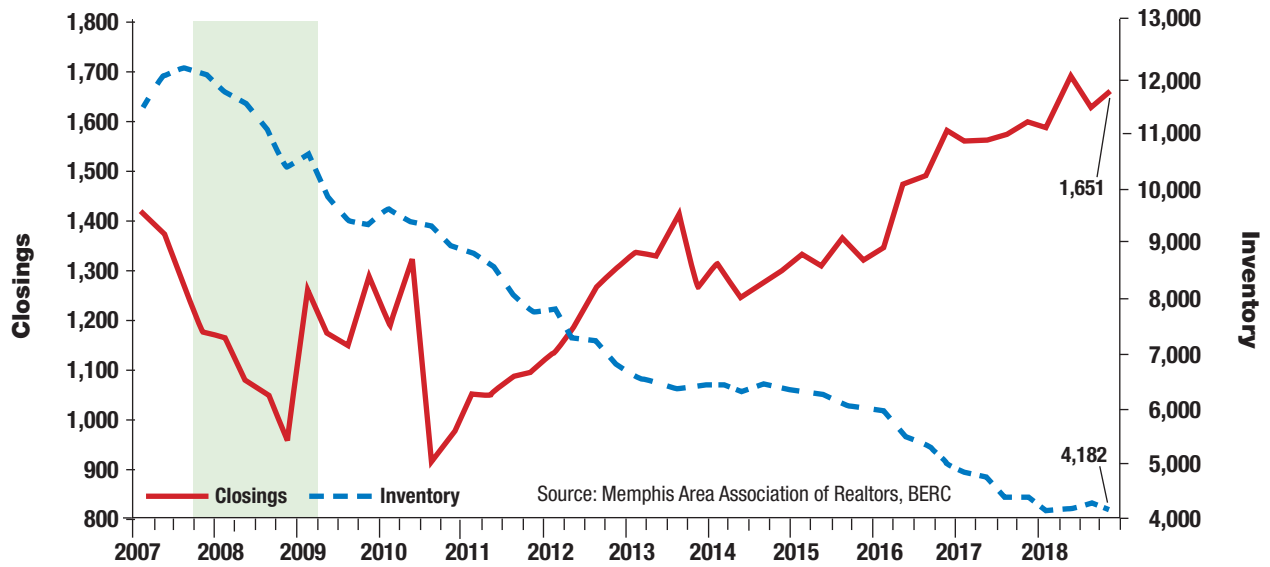
Quarterly data indicates an increase in closings for the Nashville, Knoxville, and Memphis areas: 1.26%, 6.41% and 1.91%, respectively. All three areas saw declines in inventory: Nashville (-0.62%), Knoxville (-1.63%), and Memphis (-2.08%).

Nashville's inventory was up over the year (25.06%), while inventories were down in Knoxville (-7.29%) and Memphis (-4.41%). Also over the year, Nashville closings fell 2.26%, while Knoxville and Memphis areas increased slightly, 0.36% and 3.58%, respectively.

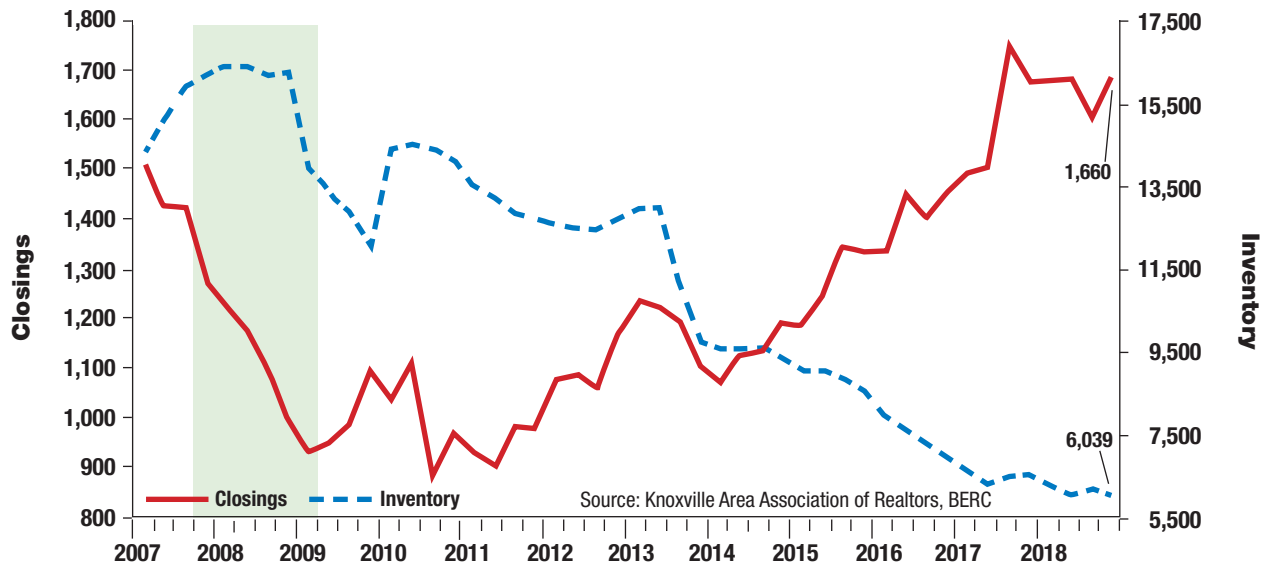
Figure 7. Single-family sales and inventory



Memphis Area



Knoxville Area



Home Prices

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

Compared to 2017's fourth quarter, housing prices increased across all MSAs, Tennessee, and the U.S. The most significant housing price changes were in the Jackson and Clarksville MSAs with increases of 10.5% and 10.4%, respectively. The least significant change was in the Johnson City MSA, with an increase of 1.2%. Tennessee's annual housing price increase of 7.4% exceeds that of the United States by 1.4%.

For the quarter, the most significant housing price decrease was in the Johnson City MSA (5.2%). The Cleveland MSA saw the most significant increase at 4.6%. Tennessee and the United States saw a housing price decrease for the quarter of 0.3% and 0.8%, respectively.

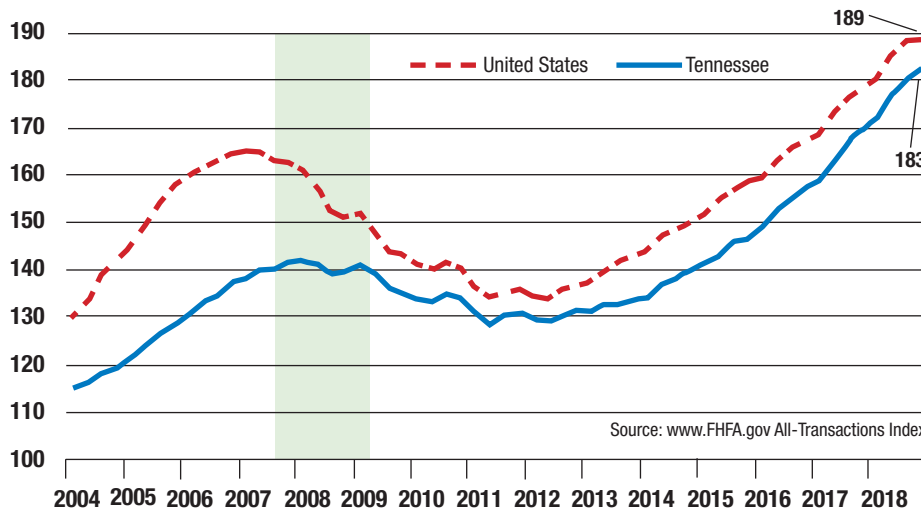
Table 3. Change in housing prices year to year

Area	2017.1–2018.1	2017.2–2018.2	2017.3–2018.3	2017.4–2018.4
Chattanooga MSA	6.5%	7.1%	6.4%	5.6%
Clarksville MSA	6.5%	8.1%	10.6%	10.4%
Cleveland MSA	6.8%	8.1%	3.9%	8.5%
Jackson MSA	0.6%	6.1%	8.1%	10.5%
Johnson City MSA	9.6%	3.5%	6.4%	1.2%
Kingsport-Bristol MSA	7.6%	1.3%	5.2%	3.9%
Knoxville MSA	6.3%	7.4%	6.8%	8.6%
Memphis MSA	6.0%	6.6%	5.7%	7.2%
Morristown MSA	11.0%	5.2%	4.5%	3.7%
Nashville MSA	9.1%	9.9%	9.9%	8.8%
Tennessee	8.1%	8.2%	7.7%	7.4%
United States	6.9%	6.9%	6.8%	6.0%

Source: FHFA All-Transactions Index

The most significant increases were in the Jackson and Clarksville MSAs

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



Both Tennessee and the U.S. saw housing prices increases over the year

Mortgage Delinquencies, Foreclosures

Rates are low compared to those before, during, and following the recession

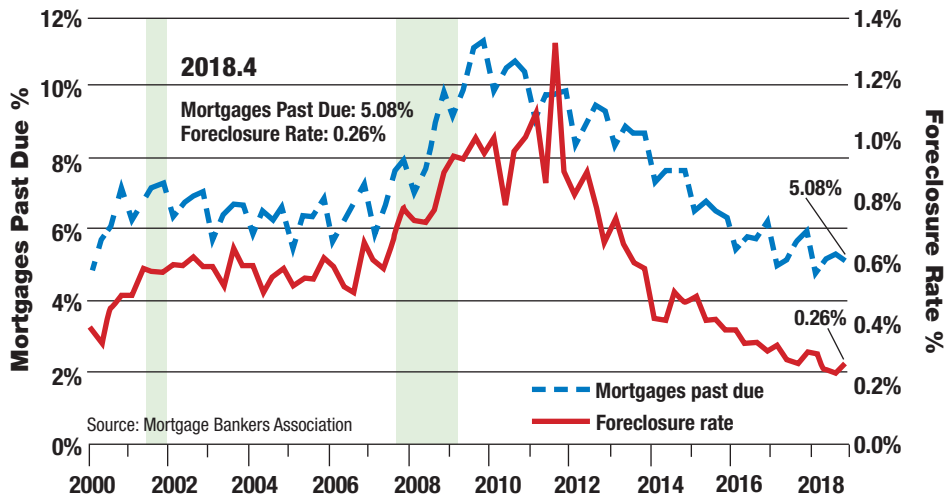
Foreclosure rates in Tennessee fell to 0.26%, a decrease of .03% from the fourth quarter of 2017. Tennessee's quarterly foreclosure rate is 0.01% higher than the U.S. rate of 0.25%. The foreclosure rate for the United States was constant over the year. Tennessee and the nation saw an increase of foreclosures from the previous quarter of .03% and .02%, respectively.

Mortgage delinquencies in Tennessee are at 5.08%, down 0.88% from the fourth quarter of 2017. The U.S. mortgage delinquency rate is 4.32% for an annual decrease of 1.13%.

Tennessee mortgage delinquency and foreclosure rates are low compared to those before, during, and following the recession.

Figure 9. Tennessee mortgages past due and foreclosure rate

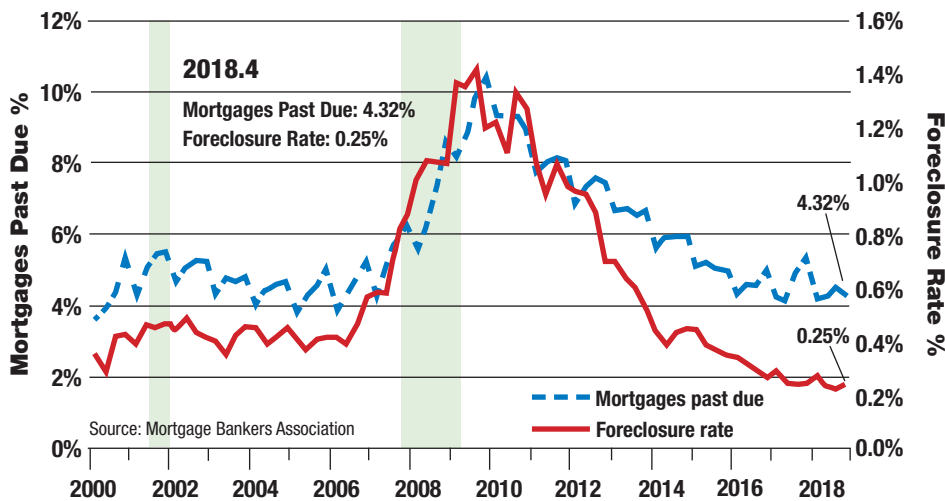
(percent of mortgages in place)



Tennessee's quarterly foreclosure rate is 0.01% higher than the U.S. rate of 0.25%

Figure 10. United States mortgages past due and foreclosure rate

(percent of mortgages in place)



The U.S. mortgage delinquency rate is 4.32% for an annual decrease of 1.13%

Conclusion

Only one indicator was worse than the previous quarter: single-family home permits

Tennessee's report for the fourth quarter of 2018 indicates a stable economy. Only one indicator's performance was worse than in the previous quarter: single-family home permits.

Tennessee's economy experienced considerable positive outcomes. Tennessee and all MSAs report

growth in housing prices compared to the previous year. Tennessee's multifamily housing permits increased 31.3% over the year. Finally, Tennessee's nonfarm employment, including all subsectors, also rose over the year. ■



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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/Multifamily Home Permits.

Level of new single- and multifamily 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)