

HOUSING

T E N N E S S E E

3rd Quarter 2015

Tennessee dashboard 3rd quarter 2015

(percent change over the year)

Weekly Unemployment Claims	▼ -8%	Total Home Permits*	▲ +43%
Total Nonfarm Employment*	▲ +2%	Mortgage Tax Collections	▲ +26%
Unemployment Rate (percentage points)*	▼ -0.1	Real Estate Transfer Tax Collections	▲ +17%
Homeowner Vacancy Rate (percentage points)	▼ -0.1	Home Prices*	▲ +5.4%
Rental Vacancy Rate (percentage points)	▼ -1.6	Mortgages Past Due (percentage points)	▼ -1.2
Single-Family Home Permits*	▲ +24%	Foreclosure Rate (percentage points)	▼ -0.09

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

Economic Overview

Tennessee's economy builds on second-quarter growth, continuing to accelerate.

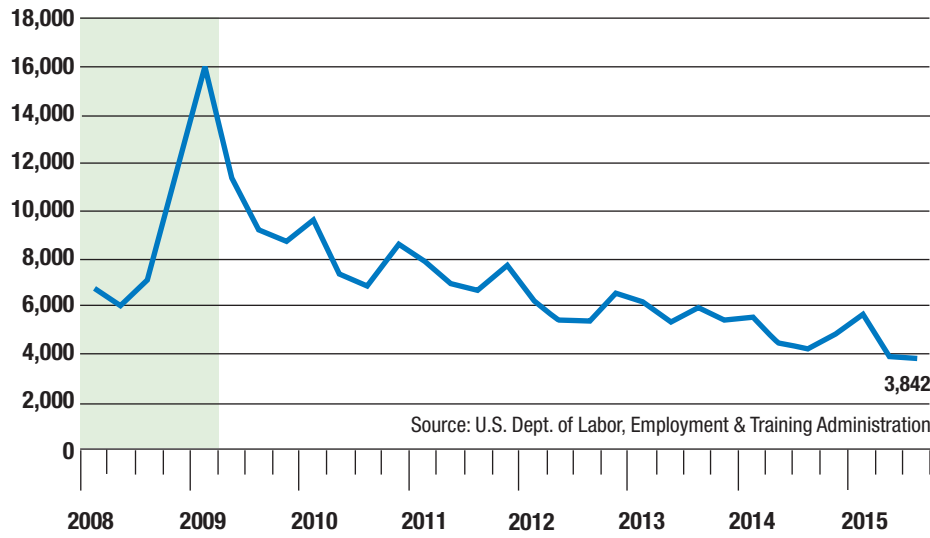
Following strong second-quarter growth, Tennessee's economy as a whole continued to accelerate.

Employment dynamics improved from the second quarter, with total nonfarm employment adding more than 14,000 new jobs. The services-providing sector was particularly strong, up nearly two percent. The unemployment rate continued to fall, reaching 5.7

percent, the lowest rate since 2008. Over the year, one of the state economy's strongest points was the drop in unemployment claims by nearly 350 per week. Other highlights are total nonfarm employment, up more than 50,000 jobs; total employment, up nearly 95,000; and the unemployment rate, down nearly a whole percentage point.

Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)



Over the year, Tennessee initial claims for unemployment insurance dropped by 350 per week.

Table 1. Selected Tennessee employment indicators

(thousands, seasonally adjusted)

	2014.3	2014.4	2015.1	2015.2	2015.3
Employment by industry (nonfarm)					
Total nonfarm	2,823.9	2,843.4	2,849.7	2,860.3	2,874.6
Goods-producing sectors	436.1	442.5	447.1	444.6	444.1
Manufacturing	325.5	329.0	332.1	330.1	331.2
Services-providing sectors	2,387.8	2,400.8	2,400.9	2,415.9	2,430.5
Labor force	2,986.9	2,983.2	3,037.2	3,095.7	3,058.4
Total employment	2,789.0	2,786.2	2,839.2	2,915.2	2,883.9
Unemployed	197.9	196.9	197.9	180.6	174.5
Unemployment rate	6.6%	6.6%	6.5%	5.8%	5.7%

Source: Bureau of Labor Statistics

Total nonfarm employment added 14,000 jobs, with the services-providing sector up nearly 2%.

Vacancy Rates

Vacancy rates for areas covered by this report showed relatively positive performance. Homeowner vacancy rates for the state decreased to the lowest rate of the year. Rental vacancy rates exhibited one of the poorer performances this quarter, increasing two percentage points to reach 2013 levels.

For the nation, rates stayed relatively flat, increasing one-tenth of a percentage point for homeowner vacancy rates and half a percentage point for rental vacancy rates.

Homeowner vacancy rates reached the lowest level of the year.

Compared to a year ago, Tennessee's homeowner rates are relatively unchanged, while its rental vacancy rate dropped 1.6 percentage points to 8.5 percent. As the graphs show, U.S. vacancy levels are back to pre-recession levels, while in Tennessee, only the rental vacancy rate is close to that of pre-recession period.

Figure 2. Homeowner vacancy rate

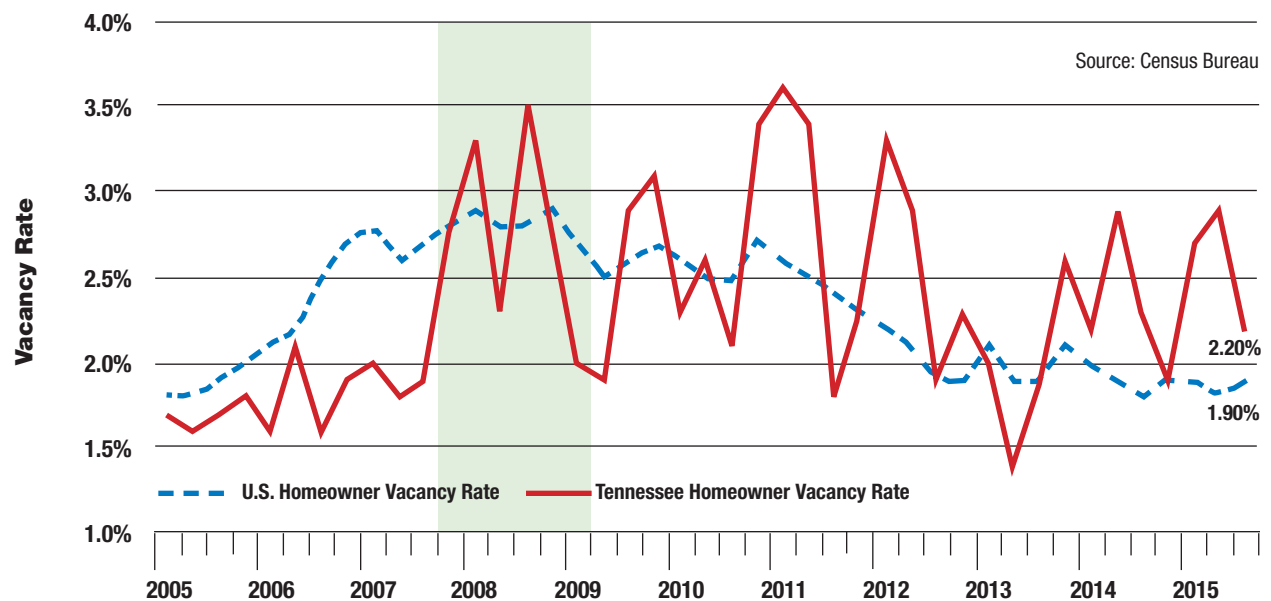
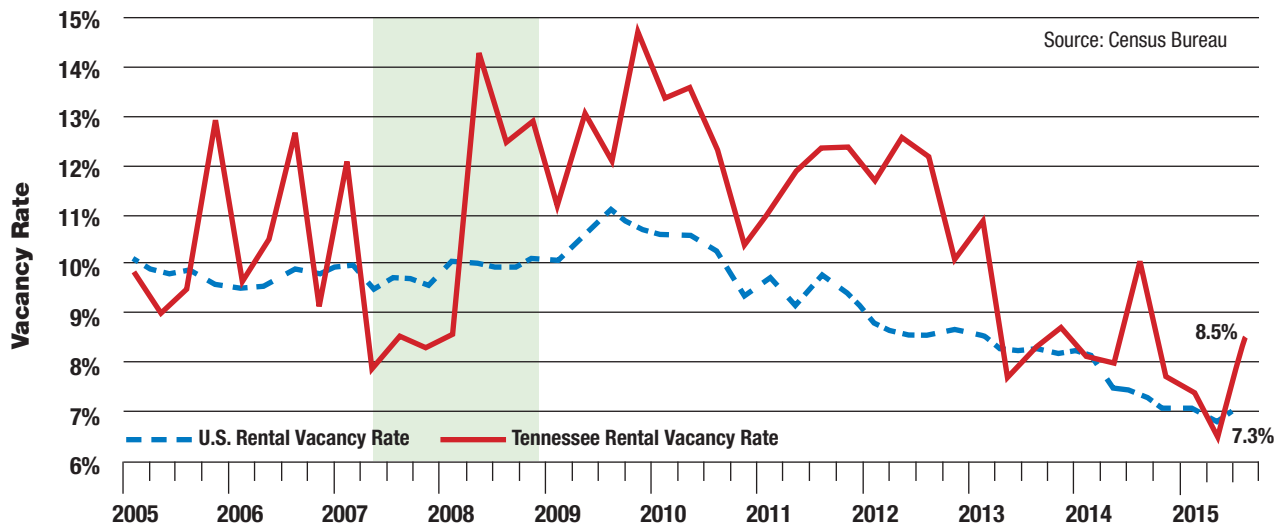


Figure 3. Rental vacancy rate



Housing Construction

Housing permits for Tennessee stayed at the same level as the previous quarter.

Compared with the second quarter, third-quarter figures are nearly flat.

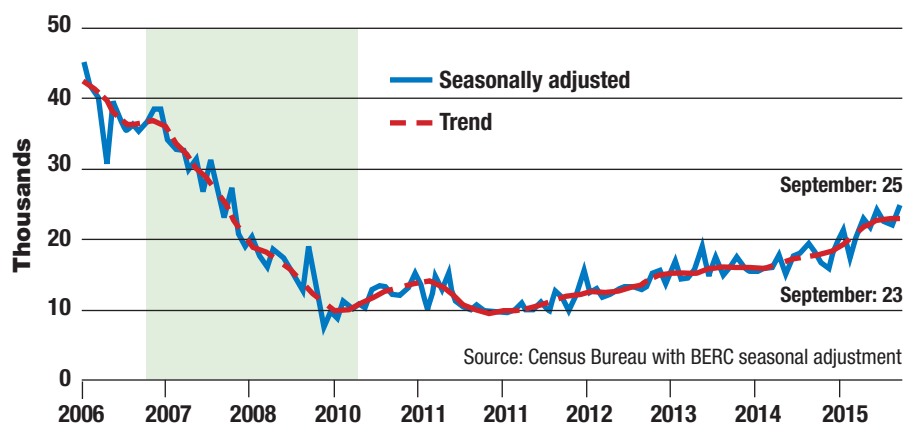
Housing permits for Tennessee stayed at the same level as the previous quarter. The only exception is total permits, for which seasonally adjusted annualized figures decreased 6 percent to 33,000. Similar results can be seen in the South and the United States. Total

permits remained flat for the state and decreased 9 percent for the nation.

Compared with the third quarter of 2014, however, all areas performed remarkably well. For the state, the seasonally adjusted annualized rate of multi-family permits increased 124 percent. While not as substantial, single-family permits increased 24 percent.

Figure 4. Tennessee single-family home permits

(thousands, seasonally adjusted annual rate)



Over the year, Tennessee multi-family permits increased 124 percent.

Table 2. Permits issued for privately owned new housing

(thousands, seasonally adjusted annual rate)

Quarter	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2012.3	13.1	274.9	522.8	5.9	164.4	324.2	19.6	440.0	849.0
2012.4	15.1	299.5	565.8	6.1	141.8	318.4	19.4	439.2	879.4
2013.1	15.5	318.5	604.7	4.0	142.8	332.5	19.0	463.7	940.2
2013.2	16.4	337.4	626.3	6.4	159.6	335.9	24.8	495.2	953.5
2013.3	15.9	328.8	622.4	7.9	140.3	343.9	24.3	470.7	965.8
2013.4	16.9	324.2	613.4	6.7	169.1	386.9	21.4	490.9	1,004.9
2014.1	16.1	323.3	604.3	10.0	164.9	396.3	25.7	490.7	983.6
2014.2	16.5	332.3	619.8	6.4	164.1	376.6	24.9	494.1	1,006.9
2014.3	18.2	349.1	636.9	4.3	171.2	413.3	23.1	522.2	1,046.4
2014.4	17.9	347.6	639.1	12.7	179.9	412.1	28.3	525.3	1,057.5
2015.1	20.0	355.4	647.7	8.3	170.3	439.1	27.8	528.5	1,084.8
2015.2	22.5	378.6	693.5	9.7	190.2	562.2	35.0	566.0	1,245.5
2015.3	22.7	379.4	701.4	9.6	188.4	436.1	33.0	569.9	1,128.4
Change from previous quarter	1%	0%	1%	-1%	-1%	-22%	-6%	1%	-9%
Change from previous year	24%	9%	10%	124%	10%	6%	43%	9%	8%

Source: Census Bureau

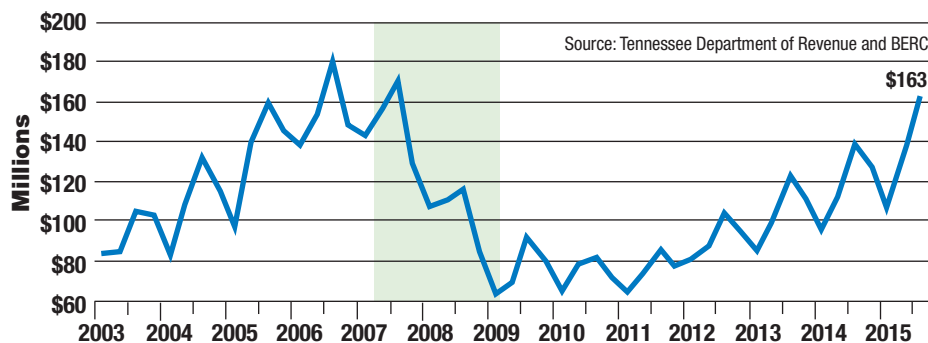
Real Estate Transactions & Mortgages

In line with the trend started in the first quarter of 2015, tax collections continued to show positive growth. Real estate transfer tax collections were up 22 percent from the previous quarter, reaching \$163 million, the highest post-recession level to date. Mortgage tax

collections are also at a post-recession high, reaching \$68 million. Over the year, the greatest change occurred in mortgage tax collections, which jumped 26 percent. Although not quite as impressive, real estate transfer tax collections increased 17 percent.

Figure 5. Real estate transfer tax collections

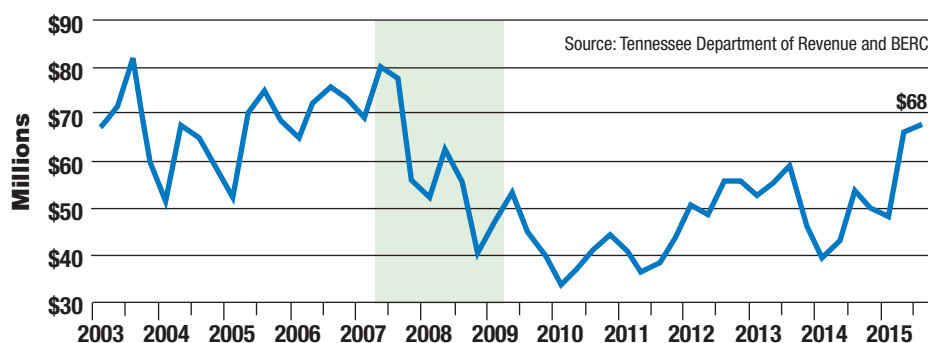
(millions, seasonally adjusted annual rate)



Transfer tax collections reached the highest level since the recession.

Figure 6. Mortgage tax collections

(millions, seasonally adjusted annual rate)



Mortgage tax collections are at a post-recession high.

Home Sales

In the second quarter, home sales rose in all three metro areas tracked in this report.

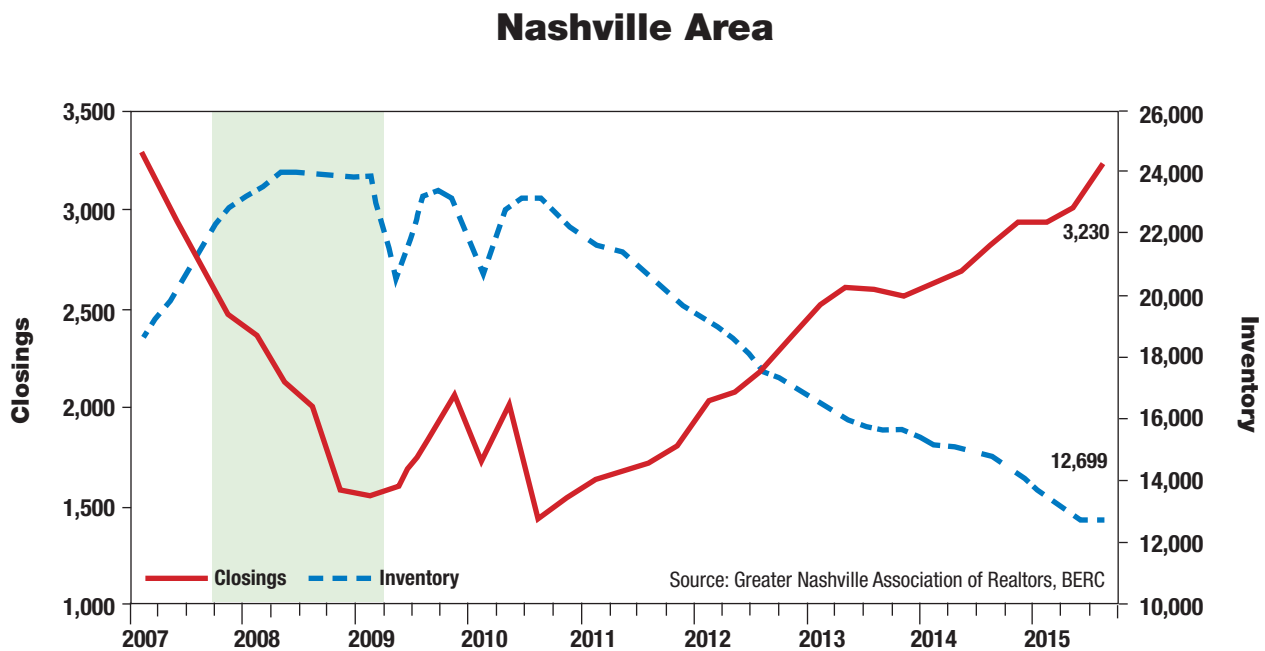
Housing sales in the three areas tracked by this report showed positive steps. As illustrated, all areas recorded increases in sales and decreases in inventory, indicating healthy market conditions.

Area closings are at post-recession highs for the Knoxville MSA, up 9 percent since the previous quarter, and the Nashville MSA, up 7 percent.

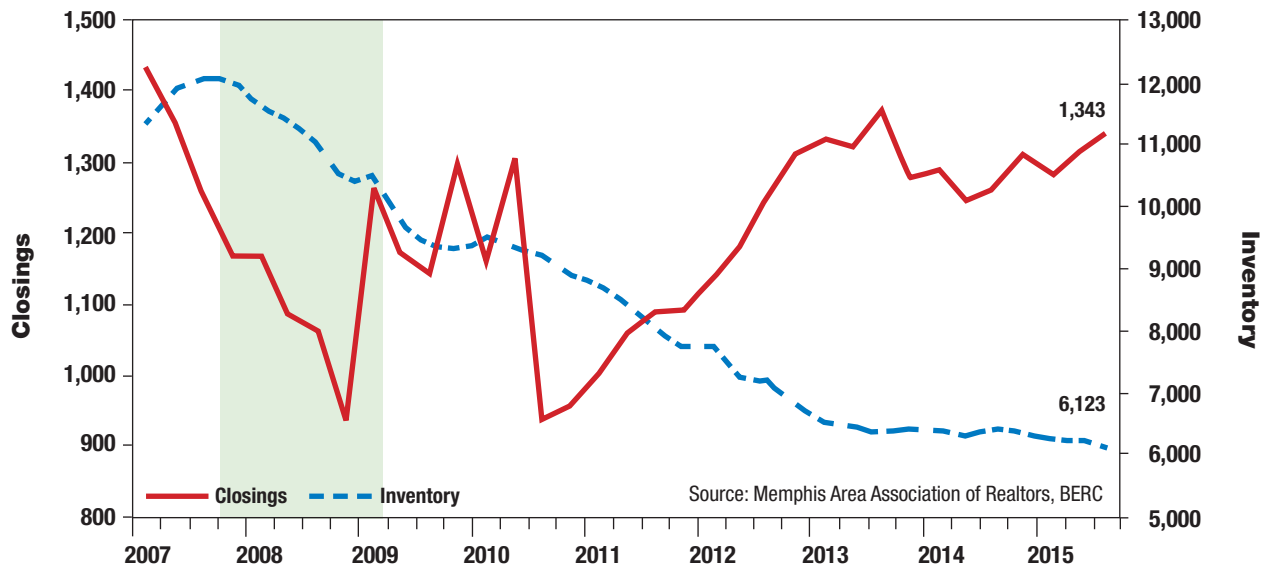
Inventories, at recent historical lows for all three areas, decreased between one and two percent for each area from the second quarter.

Over the year, the Nashville area showed significant growth, with sales increasing 22 percent and inventories decreasing 14 percent. Similarly, Knoxville sales increased nearly 22 percent.

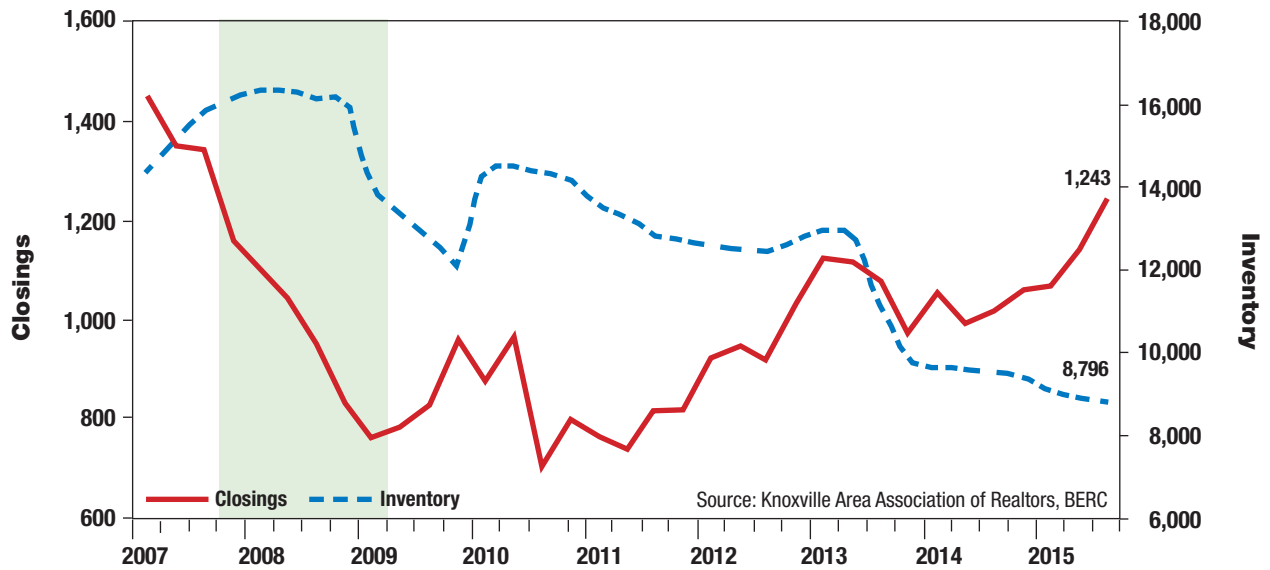
Figure 7. Single-family sales and inventory



Memphis Area



Knoxville Area



Home Prices

Annual change in Tennessee home prices bounced back.

After relatively slow second-quarter growth, annual change in Tennessee home prices bounced back in the third quarter. Over the year, home prices increased 5.4 percent, the same level as in the fourth quarter of 2014. Rates for the nation are also at the same rate as the fourth quarter of last year, 5.6 percent.

The largest increases over the year occurred in the Nashville MSA, 8.3 percent; the Chattanooga MSA, 4.5 percent; and the Memphis MSA, 3.5 percent. Smaller annual price increases were seen in Cleveland MSA, 2.2 percent, and Morristown MSA, 1.4 percent, which both moved into positive territory. One of the few sour notes this quarter is the Jackson MSA's price decrease of half a percent over the year.

Over the year, state and U.S. home prices reached fourth-quarter 2014 levels.

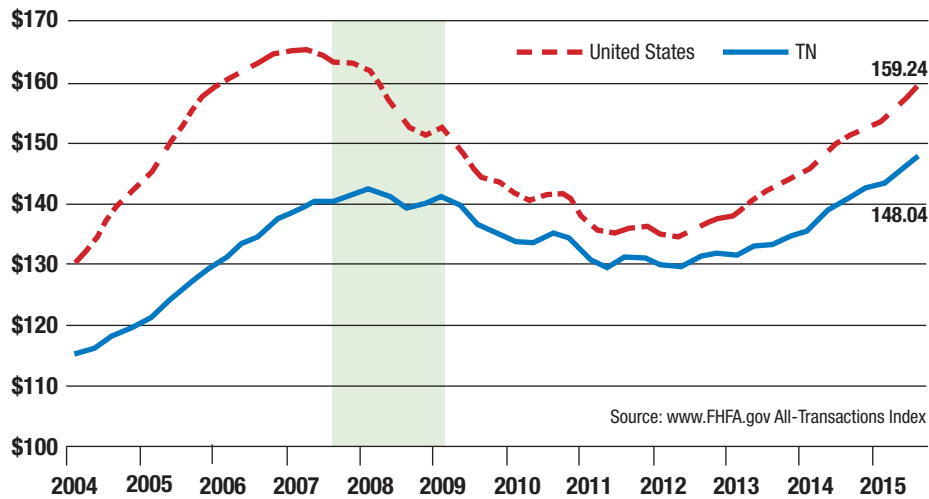
Table 3. Change in housing prices year to year

Area	2013.4–2014.4	2014.1–2015.1	2014.2–2015.2	2014.3–2015.3
Chattanooga MSA	2.8%	2.1%	3.3%	4.5%
Clarksville MSA	3.0%	-0.9%	3.6%	2.2%
Cleveland MSA	1.8%	3.2%	-2.1%	2.2%
Jackson MSA	0.4%	2.3%	0.3%	-0.5%
Johnson City MSA	6.7%	2.0%	3.6%	0.5%
Kingsport-Bristol MSA	-0.5%	4.6%	3.6%	2.0%
Knoxville MSA	3.8%	3.9%	1.5%	3.1%
Memphis MSA	5.3%	4.5%	4.3%	3.5%
Morristown MSA	2.2%	4.3%	-1.1%	1.4%
Nashville MSA	7.9%	7.3%	7.9%	8.3%
Tennessee	5.4%	5.3%	4.8%	5.4%
United States	5.6%	5.6%	5.4%	5.6%

Source: FHFA All-Transactions Index

Cleveland and Morristown both moved into positive territory, while Jackson fell half a point over the year.

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



Tennessee home prices gained 4.5% versus 5.2% for the nation.

Mortgage Delinquencies, Foreclosures

Tennessee mortgages past due are down; foreclosures started are unchanged.

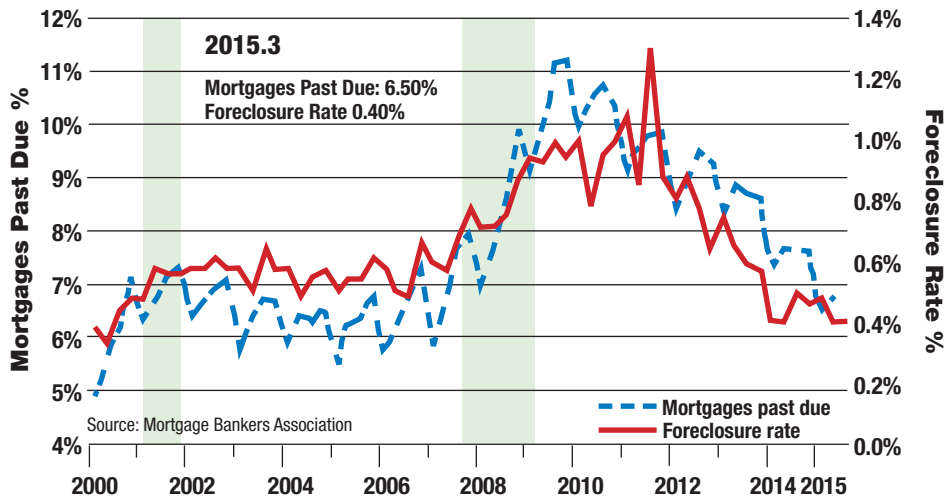
Mortgage delinquencies are down for the quarter. Tennessee mortgages past due fell 0.28 percentage points from the second quarter to 6.5 percent. Foreclosure rates remained unchanged. For comparison, U.S. rates are down 0.13 percentage points for mortgages past due and 0.02 percentage points for foreclosures started.

Over the year, declining delinquency rates indicate a strengthening economy. Mortgages past due are down 1.15 percentage points for Tennessee and 0.88 for the United States.

Foreclosure rates are down as well, 0.09 percentage points for the state and 0.06 for the nation.

Figure 9. Tennessee mortgages past due and foreclosure starts

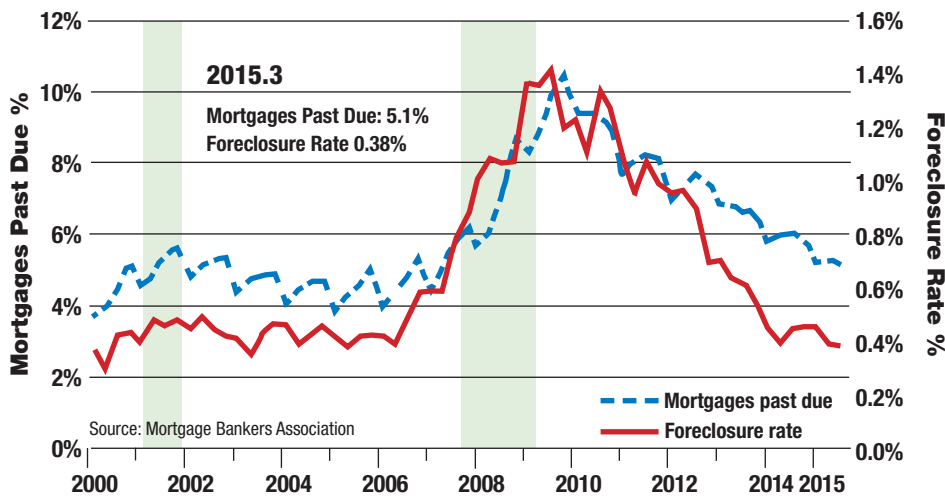
(percent of mortgages in place)



Over the year, Tennessee mortgages past due and foreclosure starts are down.

Figure 10. United States mortgages past due and foreclosure starts

(percent of mortgages in place)



Over the year, declining mortgage delinquency rates indicate a strengthening economy.

Conclusion

The third quarter of 2015 saw a strengthening housing market in Tennessee. Compared with the same quarter of the previous year, nearly every indicator tracked by this report showed progress. For the quarter, many rates dropped to post-recession lows, specifically in the areas of Tennessee initial unemployment claims and foreclosures started. Comparatively, tax collections for mortgages and real estate transactions are at

Tennessee's unemployment rate is at its lowest level since 2008.

post-recession highs. Housing sales and inventories made strides in the Nashville and Knoxville areas, reaching the highest number of home sales and the lowest level of home inventories post-recession. ■



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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)