

HOUSING

TENNESSEE

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September 2023

TENNESSEE DASHBOARD 2ND QUARTER 2023 (percent change over the year)

Weekly Unemployment Claims	▲	+21.04	Total Home Permits*	▲	+6.61
Total Nonfarm Employment*	▲	+2.81	Mortgage Tax Collections	▼	-42.91
Unemployment Rate (percentage points)*	▲	+0.00	Real Estate Transfer Tax Collections	▼	-33.46
Homeowner Vacancy Rate (percentage points)	▲	+0.10	Home Prices*	▲	+6.30
Rental Vacancy Rate (percentage points)	▲	+0.20	Mortgages Past Due (percentage points)	▼	-0.42
Single-Family Home Permits*	▲	-7.65	Foreclosure Rate (percentage points)	▼	-0.06

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q2 2023 indicators show mixed outcomes in Tennessee

For Q2 2023, Tennessee saw mixed economic indicators: Positive & negative. The metrics where Tennessee struggled over the year were Weekly Unemployment Claims, the Unemployment Rate, Homeowner Vacancy Rate, the Rental Vacancy Rate, Single-Family Home Permits, Mortgage Tax Collections, and Real Estate Transfer Tax Collections. Metrics with positive outlooks include Total Nonfarm Employment, Total Home Permits, Home Prices, Mortgages Past Due, and the Foreclosure Rate.

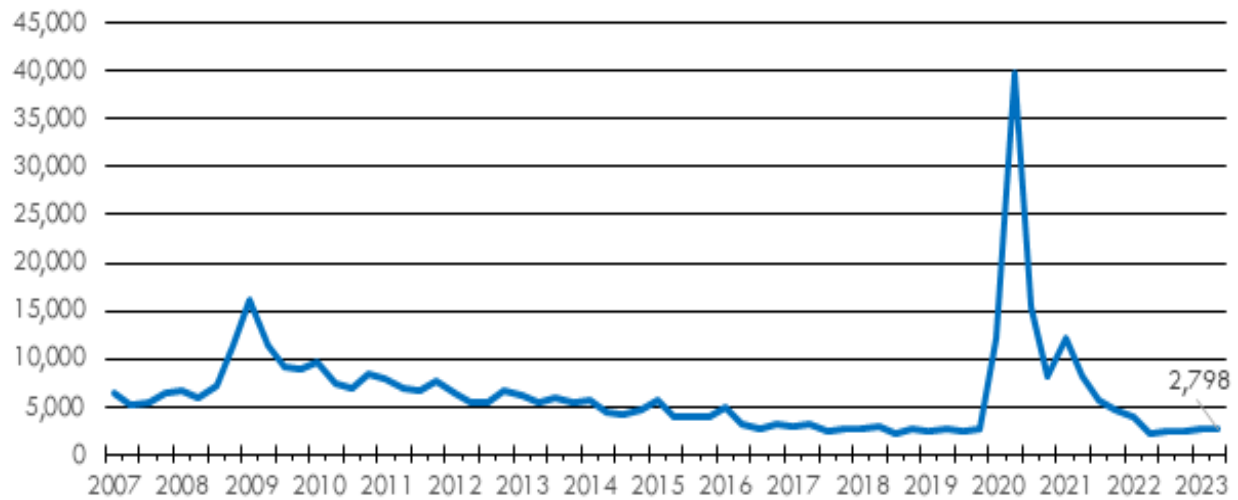
Tennessee saw a positive outcome in Total Nonfarm Employment (2.81% yearly, 0.21% quarterly), as well as Goods-Producing sectors, Manufacturing, and Services-Providing sectors, which all saw yearly economic growth of 3.22%, 3.13%, and 2.73%, respectively. Quarterly, these sectors grew by 0.23%, 0.56%, and 0.20%, respectively. However, weekly unemployment claims have grown by 21.04% from last year, which is a vast turnaround from the last quarter.

The unemployment rate was the same as last year but down 0.20 percentage points compared to the previous quarter.

Housing data was a mixed bag. The housing indicators with the most notable negative outcomes were Tennessee's Mortgage Tax Collections, which decreased by 42.91%, and Real Estate Transfer Tax Collections, which decreased by 33.46%. Other negative changes include the Rental Vacancy Rate and the Homeowner Vacancy Rate both increased by 0.10 and 0.20 percentage points, respectively. As with any mixed bag, there are some positive changes, as well. Home Prices have risen by 6.3%, Mortgage Delinquencies have decreased by 0.42 percentage points, the Foreclosure Rate has decreased by 0.06 percentage points, and Total Home Permits have increased by 6.61%. Breaking down those total home permits, Single-Family Permits rose quarterly and fell yearly, whereas Multi-Family Permits fell quarterly and rose yearly.

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)

(thousands, seasonally adjusted)

	2022.2	2022.3	2022.4	2023.1	2023.2
Employment by Industry (Nonfarm)					
Total Nonfarm	3,225	3,246	3,273	3,309	3,315
Goods-Producing Sectors	510	515	521	525	527
Manufacturing	359	361	365	368	370
Services-Providing Sectors	2,715	2,732	2,753	2,783	2,789
Labor Force	3,402	3,398	3,344	3,329	3,359
Total Employment	3,291	3,284	3,229	3,214	3,250
Unemployed	112	114	116	115	109
Unemployment Rate	3.27%	3.37%	3.50%	3.47%	3.27%

Source: Bureau of Labor Statistics

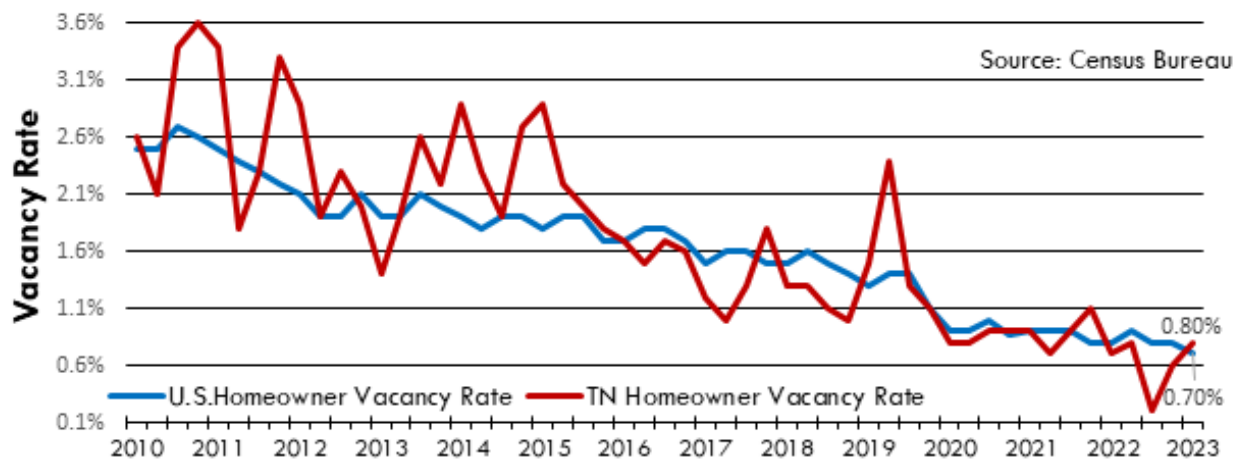
Source: Bureau of Labor Statistics

Vacancy Rate

Both annual and quarterly homeowner vacancy rates varied between Tennessee and the United States. Tennessee homeowner vacancy rates increased by 0.10 percentage points annually and by 0.20 percentage points quarterly. Conversely, the United States homeowner vacancy rates decreased by 0.10 percentage points both annually and quarterly.

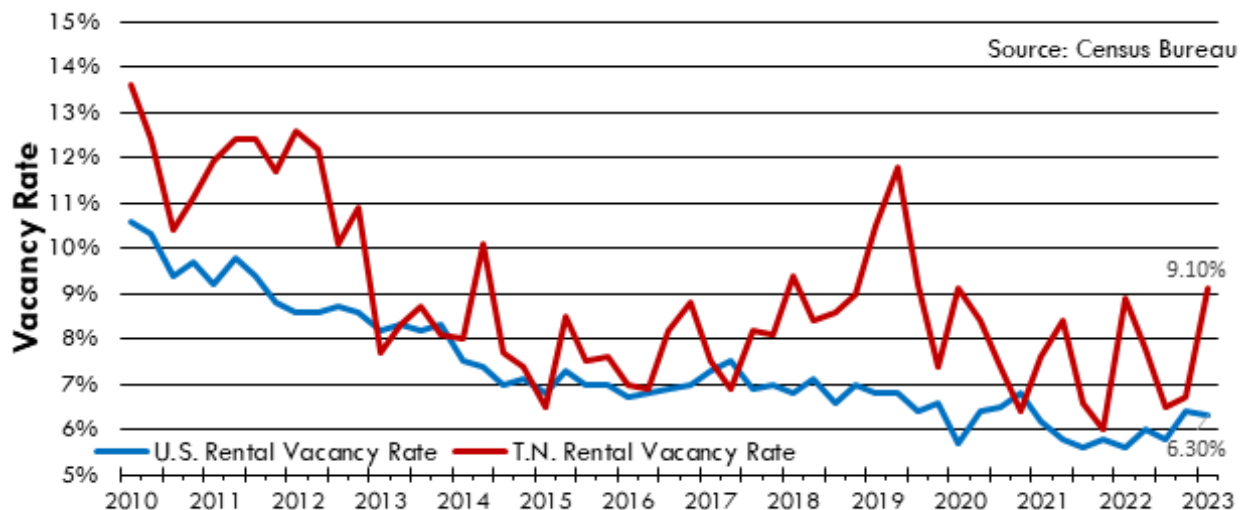
Tennessee's rental vacancy rate increased both annually (0.20 percentage points) and quarterly (2.40 percentage points), while the United States' vacancy rate increased annually (0.70 percentage points) and decreased quarterly (0.10 percentage points).

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

Single-family permits in Tennessee, the South, and the United States decreased annually and increased quarterly. Quarterly, single-family permits grew by 20.6% in Tennessee, 15.0% in the South, and 15.4% in the United States. Annually, the single-family permits fell by 8.94% in Tennessee, 10.84% in the South, and 11.93% in the United States.

Multi-family permits decreased quarterly in all observed regions and had positive & negative annual outcomes. From the previous quarter,

multi-family permits fell by 17.0% in Tennessee, 22.1% in the South, and 18.3% in the United States. From the last year, multi-family permits grew by 57.14% in Tennessee while contracting by 17.66% in the South and 20.96% in the United States.

Total permits saw small quarterly increases and mixed annual outcomes in each region. Total permits for the quarter rose by 6.6% in Tennessee, 0.2% in the South, and 2.3% in the United States. Whereas the annual number for Tennessee increased by 4.39%, the South and the United States saw decreases of 13.87% and 15.03%, respectively.

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

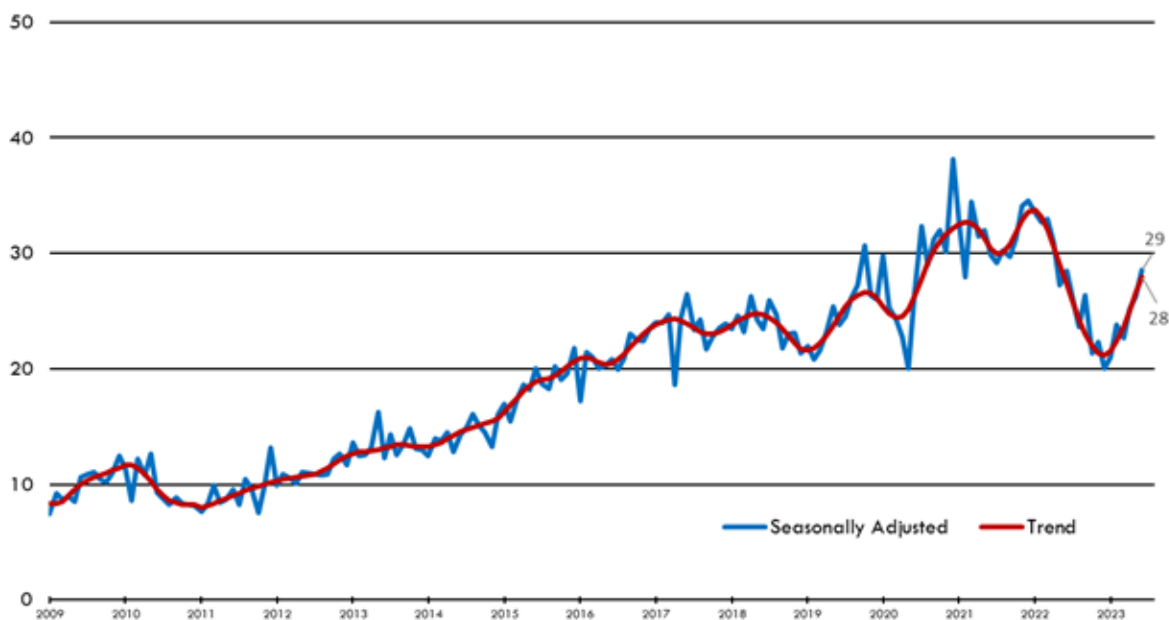


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

(numbers shown in thousands)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2020.2	27.8	442.5	767.0	14.9	202.3	424.4	42.8	651.4	1,193.2
2020.3	37.1	614.2	1,073.2	19.3	200.1	473.1	57.0	809.3	1,552.1
2020.4	40.0	678.6	1,174.9	14.8	194.3	479.6	52.6	855.6	1,634.5
2021.1	37.6	635.8	1,147.9	20.0	246.0	565.5	56.4	884.2	1,705.7
2021.2	37.6	656.0	1,121.1	23.1	235.9	546.3	60.8	905.5	1,679.5
2021.3	35.8	625.3	1,059.4	15.8	261.9	614.0	52.1	882.2	1,675.7
2021.4	39.8	654.5	1,114.6	22.9	266.9	681.2	61.8	908.2	1,797.7
2022.1	39.1	665.8	1,150.2	16.2	283.3	664.8	55.7	952.2	1,800.5
2022.2	35.1	610.2	1,021.6	8.7	308.8	680.9	43.8	931.3	1,711.4
2022.3	30.5	525.3	886.6	8.1	332.8	691.0	39.5	855.3	1,578.2
2022.4	25.3	469.6	773.3	5.0	318.0	617.1	29.3	783.0	1,403.0
2023.1	26.5	473.1	779.4	16.5	326.5	658.9	42.9	800.4	1,421.8
2023.2	32.0	544.1	899.7	13.7	254.3	538.2	45.7	802.1	1,454.2
Change from previous quarter	20.6%	15.0%	15.4%	-17.0%	-22.1%	-18.3%	6.6%	0.2%	2.3%
Change from previous year	-8.94%	-10.84%	-11.93%	57.14%	-17.66%	-20.96%	4.39%	-13.87%	-15.03%

Source: Census Bureau

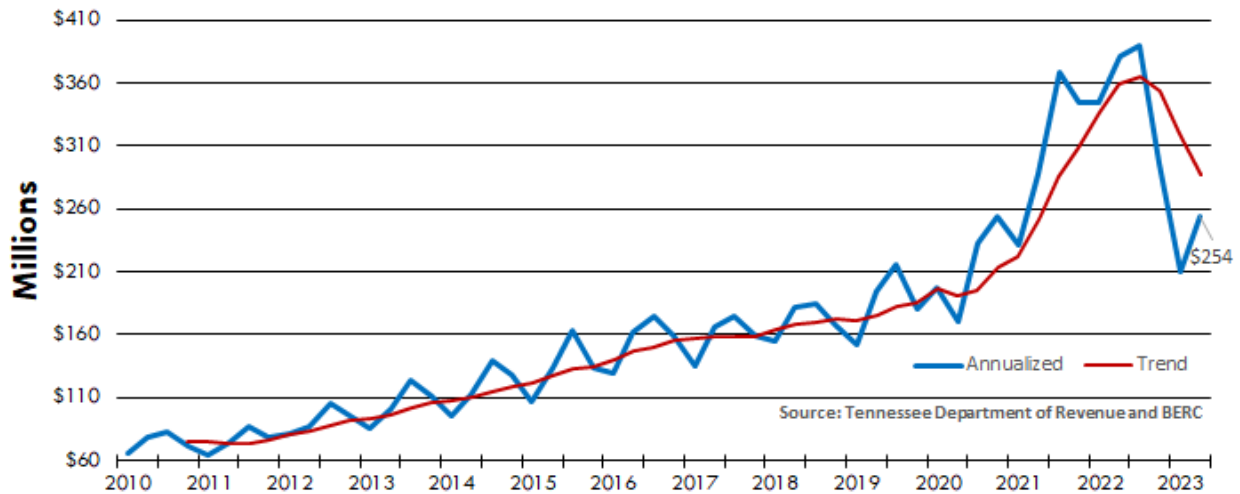
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections saw an increase from the first quarter of 2023 (20.56%) but a decrease from the last year (33.46%). Real estate transfer tax collections were over \$21.1 million, while annualized collections were approximately \$254 million.

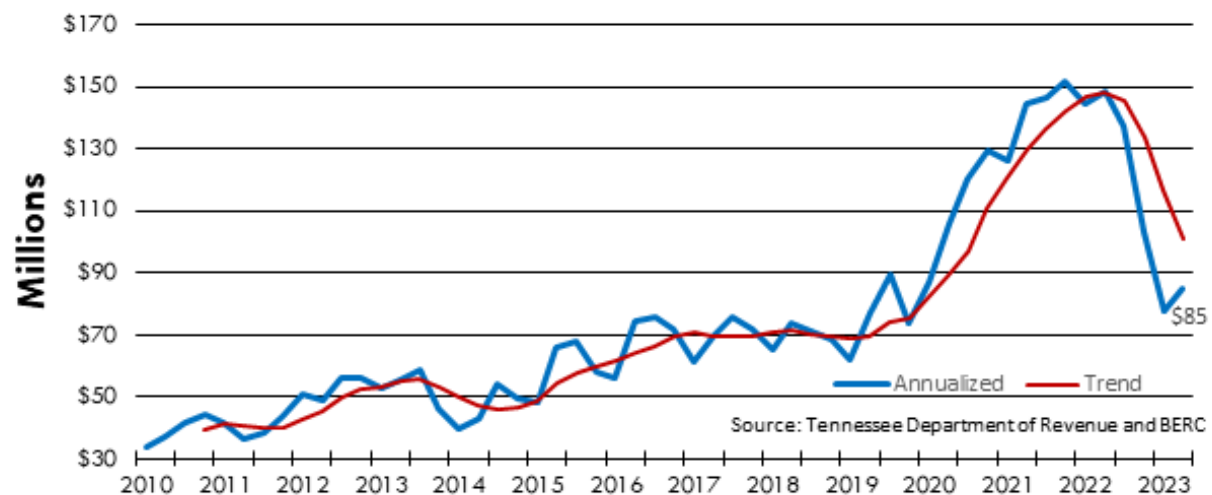
Mortgage tax collections decreased from the first quarter of 2023 by 9.06% and annually by 42.91%. The quarterly average for mortgage tax collections was approximately \$7.1 million, and the annualized collections were nearly \$85 million.

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



Source: Tennessee Department of Revenue and BERC

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



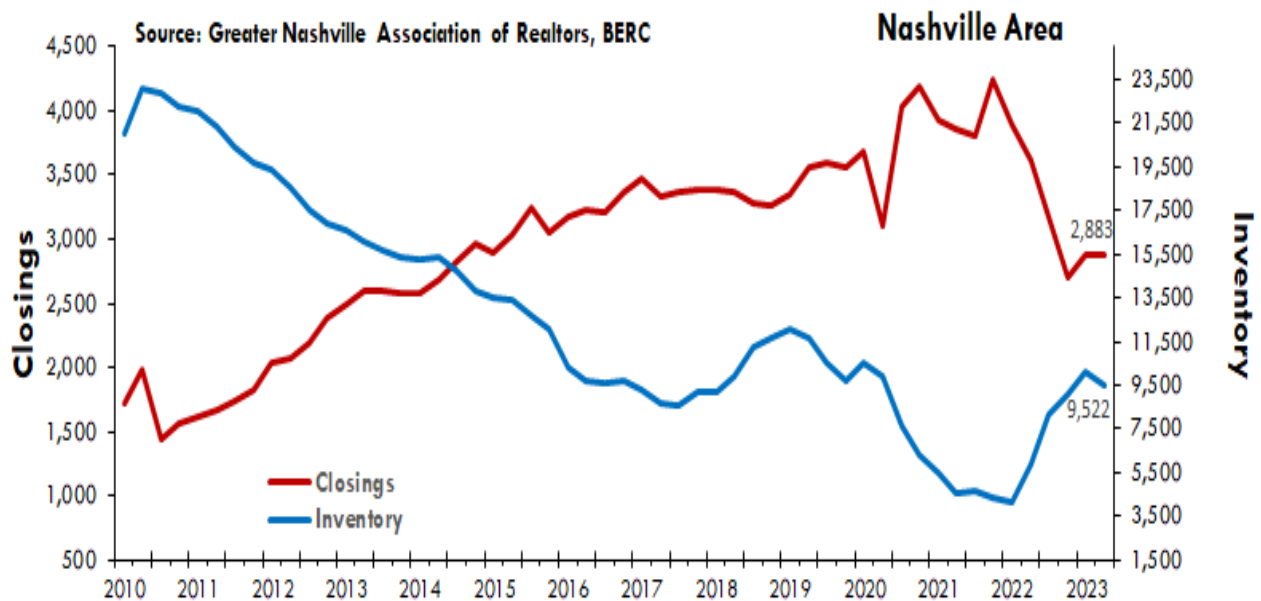
Source: Tennessee Department of Revenue and BERC

Home Sales

Quarterly and annual closing were varied for the Nashville, Knoxville, and Memphis regions. Quarterly closings decreased by 0.06% in Nashville and 3.29% in Memphis while it slightly increased by 0.07% in Knoxville. Annually, closings declined by 20.09% in Nashville, 16.72% in Knoxville, and 29.24% in Memphis.

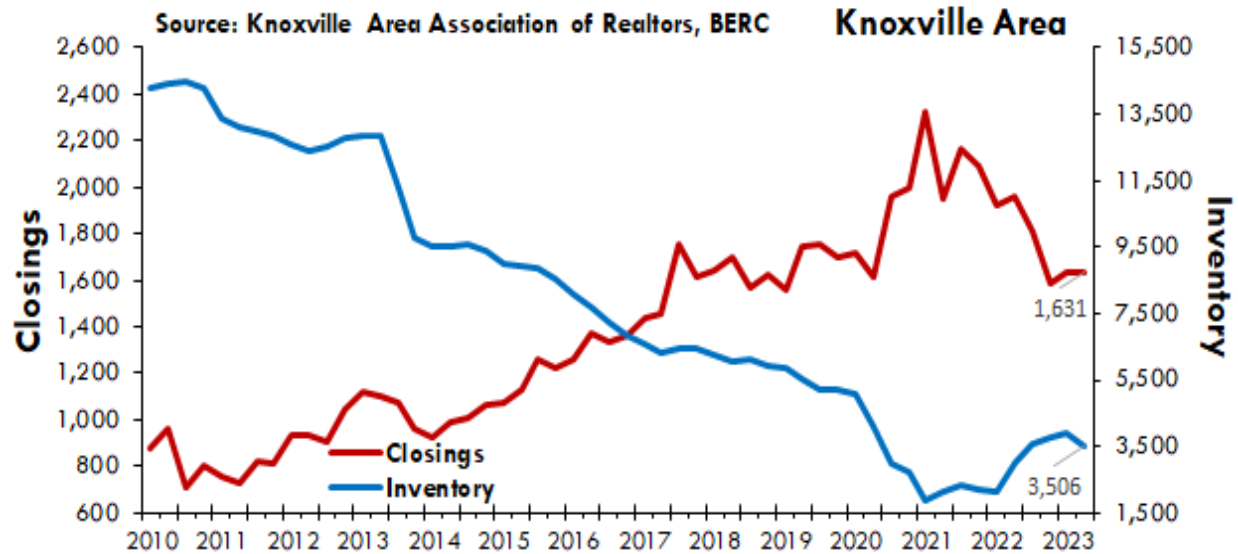
Annual inventory changes were positive for all observed regions. Nashville had the most significant growth of 60.73%, followed by Memphis with 45.50% and Knoxville with 18.21%. Quarterly changes in inventory were most notable for the Knoxville area, with a decrease of 10.81% with Nashville also decreasing by 5.96%. The only expansion of the three regions was Memphis with a growth of 2.91%.

Figure 7.1 Single-family sales and inventory - Nashville Area



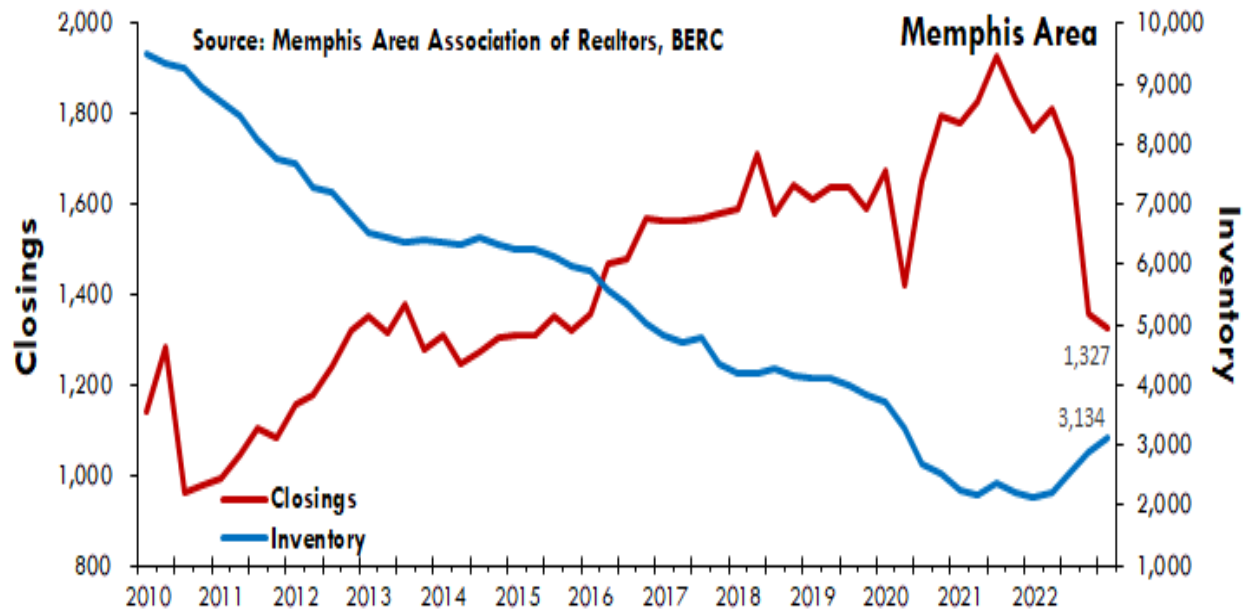
Source: Greater Nashville Association of Realtors, BERC

Figure 7.2 Single-family sales and inventory - Knoxville Area



Source: Knoxville Area Association of Realtors, BEREC

Figure 7.3 Single-family sales and inventory - Memphis Area



Source: Memphis Area Association of Realtors, BEREC

Home Prices

In Q2 2023, home prices for all MSAs in Tennessee rose, and vast majority of them annual growth has exceeded that of the United States (4.3%). The Knoxville MSA saw the most significant increase of 11.4%, while the Clarksville MSA had the smallest annual growth of 0.7%. Meanwhile, Nashville MSA and Memphis MSA saw annual growth of 3.4% and 5.0%, respectively.

Quarterly, home prices in Tennessee increased by 0.90% and those in the United States increased by 1.32%. Annually, Tennessee and the United States grew by 6.3% and 4.3%, respectively.

Compared to last year, Tennessee's previously rapid home price growth began to slow down. This shift marked a return to more typical pre-pandemic conditions signaling a healthier and more stable housing market.

Table 3. Percent change in housing prices year to year

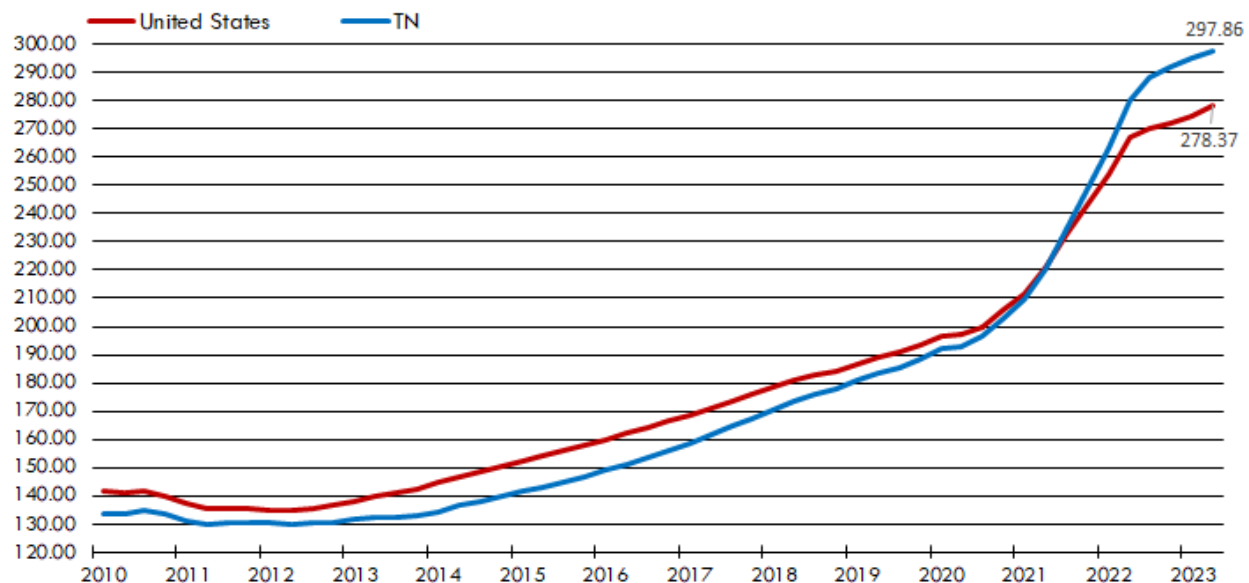
Table 3. % Change in Housing Prices Year to Year

Area	2021.3-2022.3	2021.4-2022.4	2022.1-2023.1	2022.2-2023.2
Chattanooga MSA	20.3%	16.2%	13.4%	8.0%
Clarksville MSA	22.7%	16.1%	9.2%	0.7%
Cleveland MSA	22.0%	15.0%	10.7%	10.7%
Jackson MSA	22.9%	20.6%	12.1%	6.8%
Johnson City MSA	25.7%	20.8%	22.8%	9.4%
Kingsport-Bristol MSA	22.1%	19.3%	15.5%	8.7%
Knoxville MSA	24.3%	20.7%	14.6%	11.4%
Memphis MSA	17.2%	14.6%	10.2%	5.0%
Morristown MSA	23.8%	19.5%	14.2%	9.7%
Nashville MSA	24.9%	16.4%	10.8%	3.4%
Tennessee	23.0%	17.3%	12.1%	6.3%
United States	16.3%	11.8%	18.1%	4.3%

Source: FHFA All Transactions Index.

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



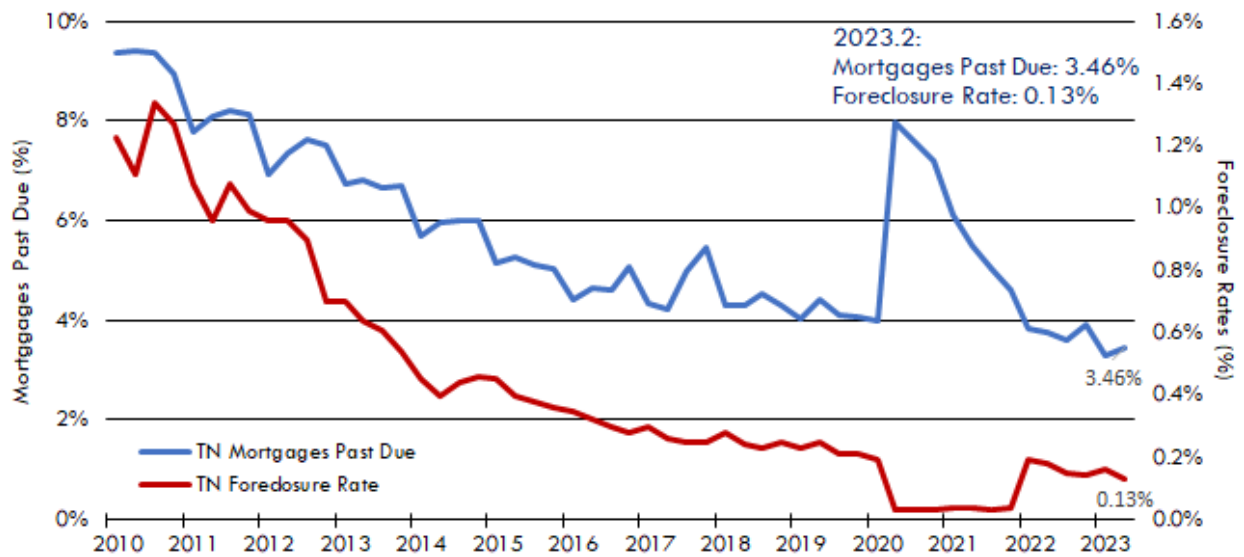
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

In Q2 2023, Tennessee observed slight increases in mortgage delinquencies (0.19 percentage points) and foreclosure rates (0.01 percentage points). The United States experienced an increase of 0.18 percentage points in mortgage delinquencies and a decrease of 0.03 percentage points in foreclosure rates.

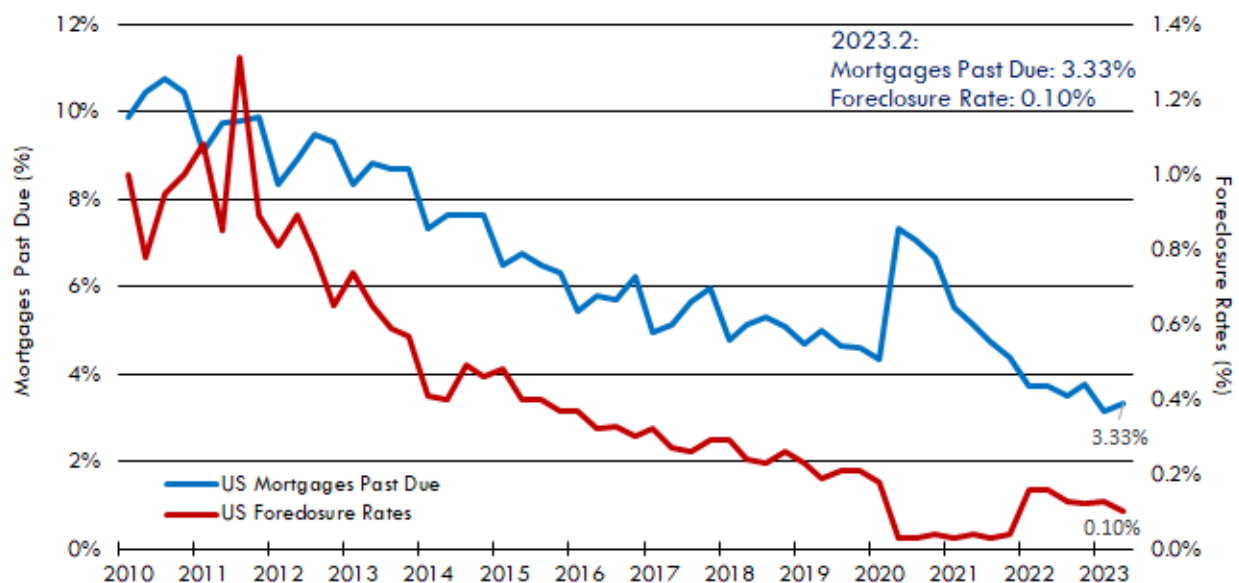
Annual mortgage delinquencies and foreclosure rates dropped for Tennessee and the United States. Tennessee experienced a 0.42 percentage-point decrease, and the United States saw a 0.31 percentage-point decrease in mortgage delinquencies annually. Foreclosure rates decreased by 0.06 and 0.05 percentage points for Tennessee and the United States, respectively.

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

Economic indicators send mixed signal in q2 2023

In the second quarter of 2023, the housing market in Tennessee has shown a mix of trends and changes over the recent period. While there has been an increase in weekly unemployment claims reflecting economic challenges, it is encouraging to note that total nonfarm employment has risen by 2.18%. The fact that the unemployment rate remains consistent with the previous year suggests some stability in the labor market. However, the decrease in single-family home permits indicates a potential slowdown in new construction in this category.

On a positive note, total home permits have seen an increase, which could indicate growth in other types of housing construction. Home prices have also risen by 6.3% across Tennessee.

In conclusion, Tennessee's housing market is experiencing a period of mixed trends, with some indicators pointing to resilience and growth while others suggest caution and potential challenges.



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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)