

HOUSING

TENNESSEE

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SEPTEMBER 2021

TENNESSEE DASHBOARD 2ND QUARTER 2021 (percent change over the year)

Weekly Unemployment Claims	▼	-79.25	Total Home Permits*	▲	+43.85
Total Nonfarm Employment*	▲	+7.95	Mortgage Tax Collections	▲	+36.26
Unemployment Rate (percentage points)*	▲	-6.6	Real Estate Transfer Tax Collections	▲	+68.54
Homeowner Vacancy Rate (percentage points)	▲	+0.10	Home Prices*	▲	+13.41
Rental Vacancy Rate (percentage points)	▲	-1.50	Mortgages Past Due (percentage points)	▼	-2.22
Single-Family Home Permits*	▲	+35.97	Foreclosure Rate (percentage points)	▲	+0.01

*seasonally adjusted

▲ positive outcome for economy

▲ negative outcome for economy

Economic Overview

Q2 2021 indicators show mostly positive outcomes in Tennessee

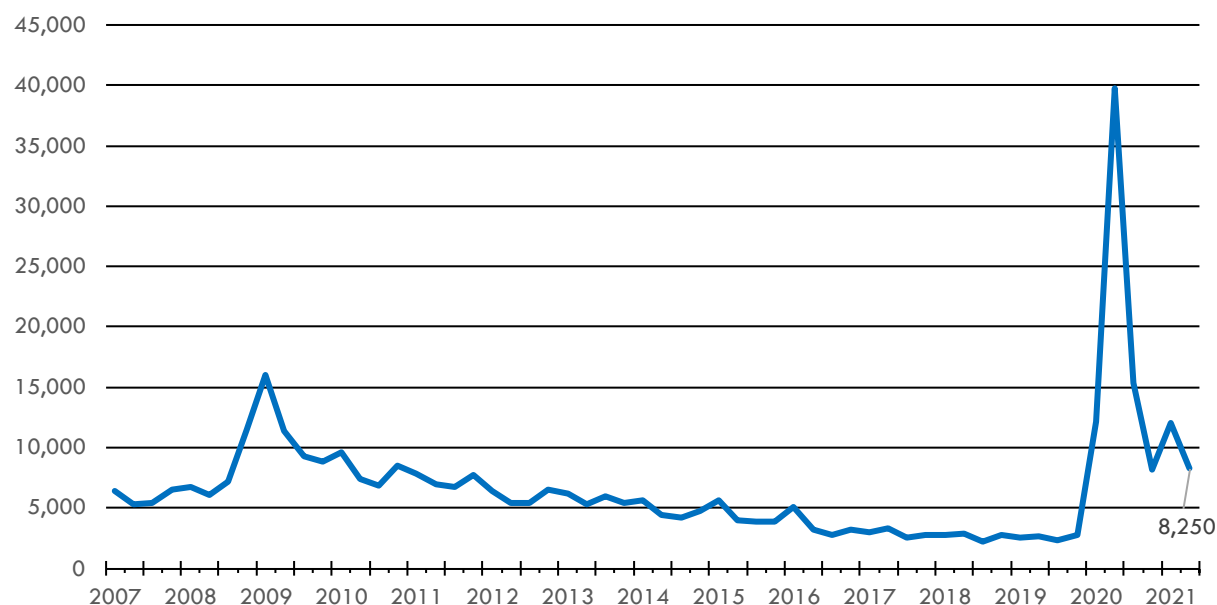
Tennessee's economic indicators showed mostly positive outcomes for the second quarter of 2021. Since last year, weekly unemployment claims have sharply fallen by almost 58%, indicating an equilibration back towards pre-pandemic levels. In addition to the yearly decline in unemployment claims, there was a 31.51% drop in claims since Q1 2021. Nonfarm employment rose by 7.95%, while the unemployment rate fell by 6.6 percentage points over the year. In addition to the promising change in the unemployment rate, there was a growth of 13.18% in total employment since 2020. Manufacturing specifically grew by 12.89% since 2020.

Mortgage tax collections also show optimistic outlooks with 36.26% annual growth since 2020 and a 14.90% increase since Q1 2021. Single-family and total home permits for Tennessee were more mixed. Single-family permits slightly fell by .2%, and total permits rose by 12.1% since Q1 2021. Both categories of permits saw significant increases since the second quarter of 2020. Single-family permits rose by 35.97% and total family permits rose by 43.86%.

Overall, with the exception of single-family permits, Tennessee's economy is experiencing a continued recovery from the COVID-19 pandemic.

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)

	2020.2	2020.3	2020.4	2021.1	2021.2
Employment by Industry (Nonfarm)					
Total Nonfarm	2,848	2,972	3,023	3,040	3,074
Goods-Producing Sectors	438	469	476	478	479
Manufacturing	307	336	343	345	347
Services-Providing Sectors	2,410	2,504	2,547	2,562	2,596
Labor Force	3,163	3,311	3,342	3,314	3,331
Total Employment	2,797	3,037	3,130	3,147	3,165
Unemployed	367	274	212	167	166
Unemployment Rate	11.57%	8.30%	6.33%	5.03%	4.97%

Source: Bureau of Labor Statistics

Vacancy Rate

Both homeowner vacancy rates for Tennessee and the United States have appeared to plateau near 1%. Tennessee did not change from Q1 2021, while the U.S. saw a quarterly increase of .03% to match Tennessee's homeowner vacancy rate of .9%. Over the year, Tennessee went from a rate of .8% to .9% in Q2 2021. The U.S. rate saw no change from Q2 2020.

Rental vacancy rates were subject to greater variation. Tennessee's rental vacancy rates rose from Q1 2021 by 1.2 percentage points to 7.6%, while the U.S. rate fell .6 percentage points to 6.2%. Yearly changes were inverted as Tennessee's vacancy rates fell by 1.5 percentage points and the U.S. rate rose by .5 percentage points.

Figure 2. Homeowner vacancy rate

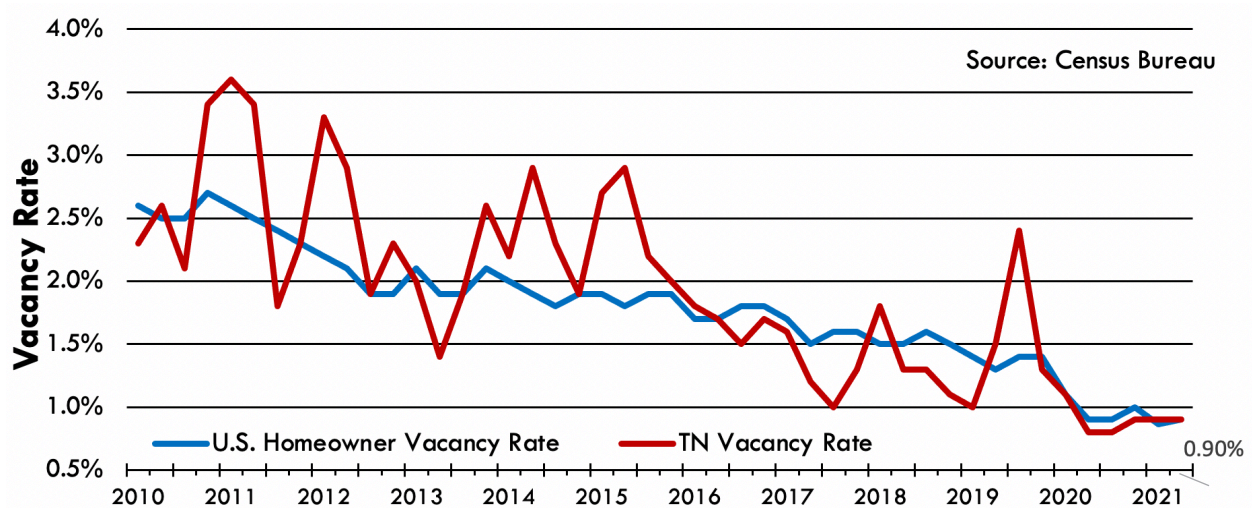
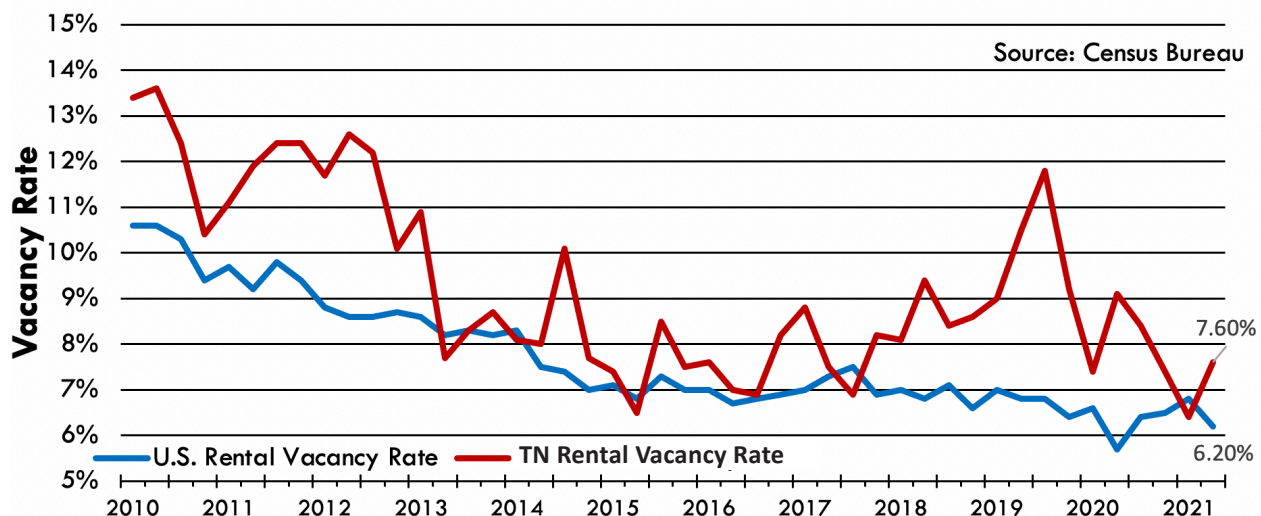


Figure 3. Rental vacancy rate



Housing Construction

Tennessee and the U.S. experienced a reduction in single-family permits over the previous quarter of .2% and .1%, respectively. The South region saw a relatively larger increase of 5.7%. Yearly growth from Q2 2020 was more uniform among all three areas. Tennessee, the South, and the U.S. saw increases of 35.97%, 49.71%, and 47.73%, respectively.

Tennessee was the only region to see quarterly growth for multi-family unit permits at 37.3%, while the South and the U.S. saw decreases in multi-family permits at -1.3% and -3.1%,

respectively. Over the year, positive gains were experienced for the three regions: Tennessee at 55.29%, the South at 17.03%, and the U.S. at 29.25%.

Total family permits were positive for quarterly and yearly growth among the three regions. Tennessee saw quarterly growth of 12.1% and annual growth of 43.93%. The South saw quarterly growth of 4.1% and 39.93% growth over the year. The United States grew .1% over the quarter and 41.62% over the year.

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

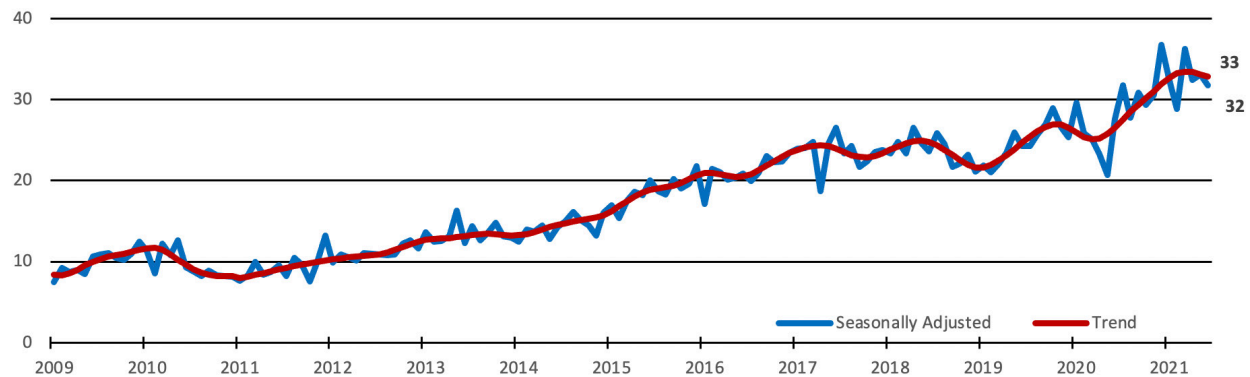


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2018.2	29.9	482.6	880.0	10.7	206.4	463.8	41.8	692.1	1,344.6
2018.3	28.8	461.5	841.4	14.9	191.1	436.3	42.5	653.0	1,286.6
2018.4	26.6	452.9	820.2	10.9	218.1	458.2	37.4	668.8	1,280.9
2019.1	26.0	447.6	794.3	11.2	200.5	464.2	37.9	647.8	1,249.5
2019.2	29.5	466.7	844.2	9.8	208.2	470.8	40.4	679.9	1,319.5
2019.3	30.7	492.2	867.0	10.7	232.5	539.2	40.6	723.2	1,408.7
2019.4	32.3	507.2	894.8	15.9	224.4	531.4	47.7	723.6	1,426.1
2020.1	32.2	528.1	942.9	11.2	200.2	475.8	44.1	731.9	1,411.0
2020.2	28.6	456.3	789.7	15.5	204.5	424.9	44.4	666.3	1,220.3
2020.3	36.1	600.7	1,053.2	18.7	200.4	480.8	55.1	796.1	1,538.0
2020.4	38.7	658.7	1,140.7	15.8	193.4	469.9	52.7	837.9	1,589.5
2021.1	39.0	646.4	1,168.0	17.5	242.6	566.6	57.0	895.5	1,726.2
2021.2	38.9	683.2	1,166.7	24.0	239.4	549.2	63.9	932.4	1,728.2
Change from previous quarter	-0.2%	5.7%	-0.1%	37.3%	-1.3%	-3.1%	12.1%	4.1%	0.1%
Change from previous year	35.97%	49.71%	47.73%	55.29%	17.03%	29.25%	43.86%	39.93%	41.62%

Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections sharply increased from the first quarter by 24.48% and 68.54% over the year. Real estate transfer tax collections averaged \$24 million, and the annualized collections were \$288 million.

Mortgage tax collections increased from the previous quarter by 14.9%, while the yearly increase was 36.26%. The quarterly average for mortgage tax collections was \$12.1 million, and the annualized collections were \$145 million, respectively.

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

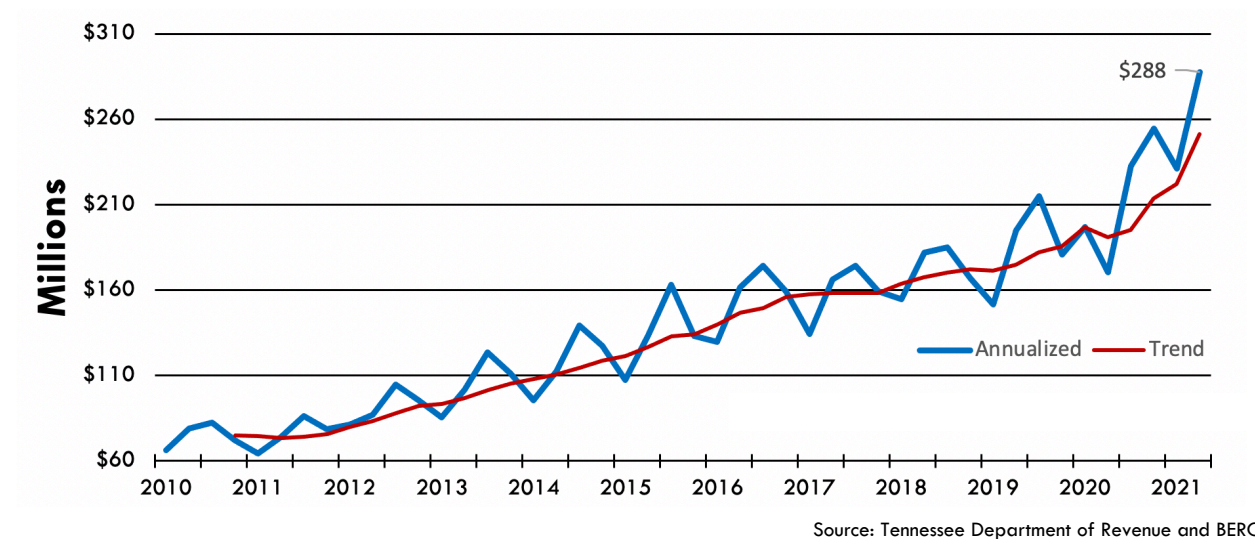
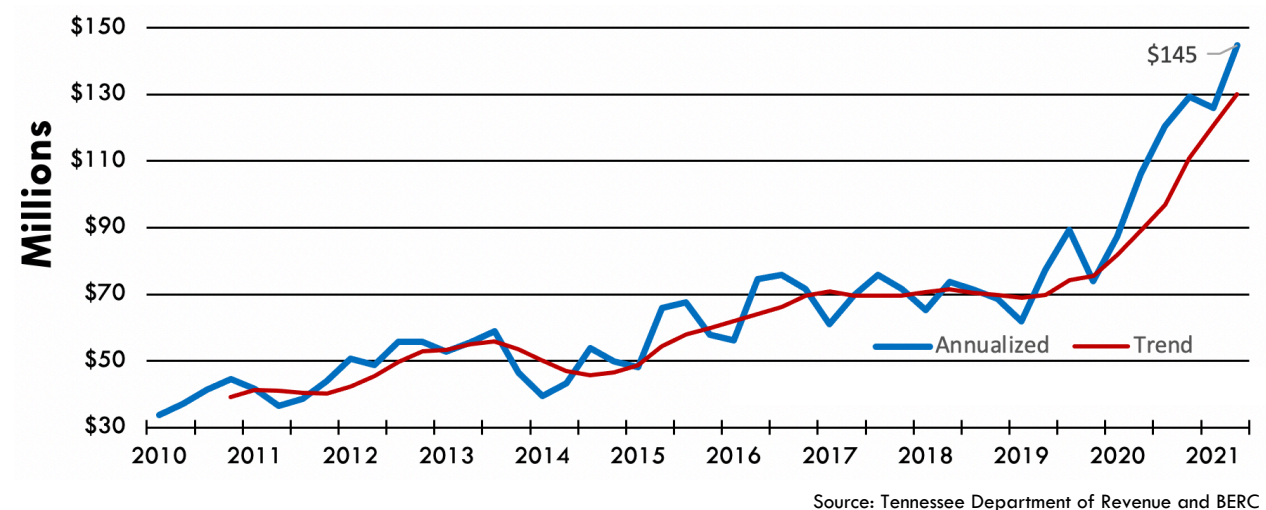


Figure 6. Mortgage tax collections (millions, seasonally adjusted annual rate)

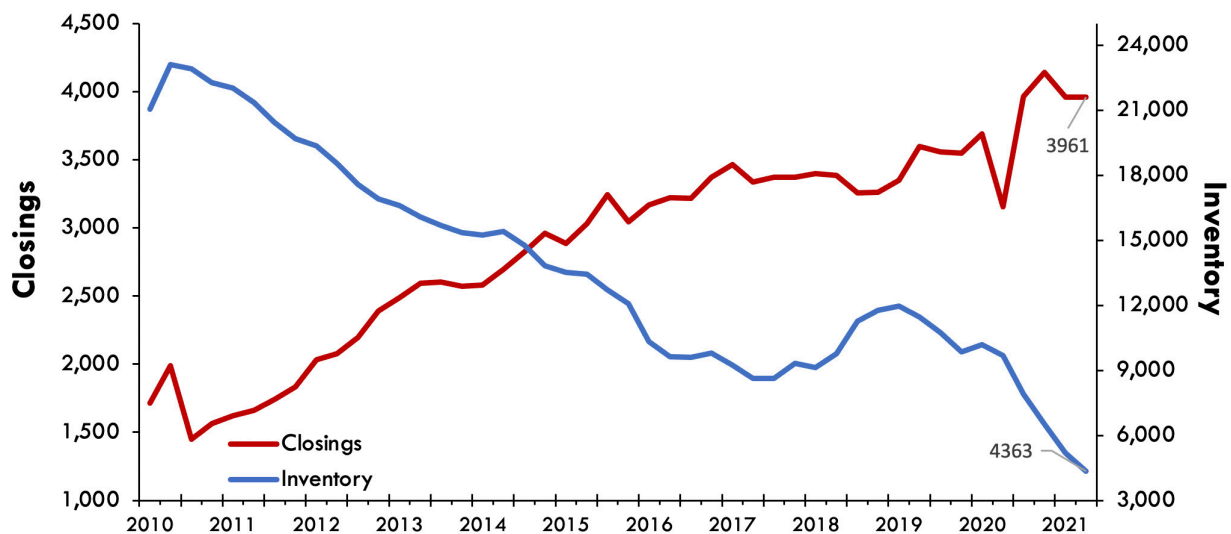


Home Sales

Closings for the Nashville, Knoxville, and Memphis regions had mixed outcomes for the quarter and year. Nashville and Knoxville had decreases in quarterly closings of .01% and 17.64%, while Memphis saw a quarterly increase of 3.45%. When considering annual changes, all three regions in the state experienced growth: Nashville at 25.50%, Knoxville at 19.90%, and Memphis at 28.28%.

Inventory among the three regions almost uniformly decreased from both quarterly and yearly perspectives. Knoxville saw the only quarterly increase of 18.77%. Nashville and Memphis saw a quarterly decline in inventory by 16% and 3.26%, respectively. Annual changes were strictly negative among Nashville at 54.90%, Knoxville at 48.31%, and Memphis at 33.71%.

Figure 7.1 Single-family sales and inventory - Nashville Area



Source: Greater Nashville Association of Realtors, BEREC

Figure 7.2 Single-family sales and inventory - Knoxville Area

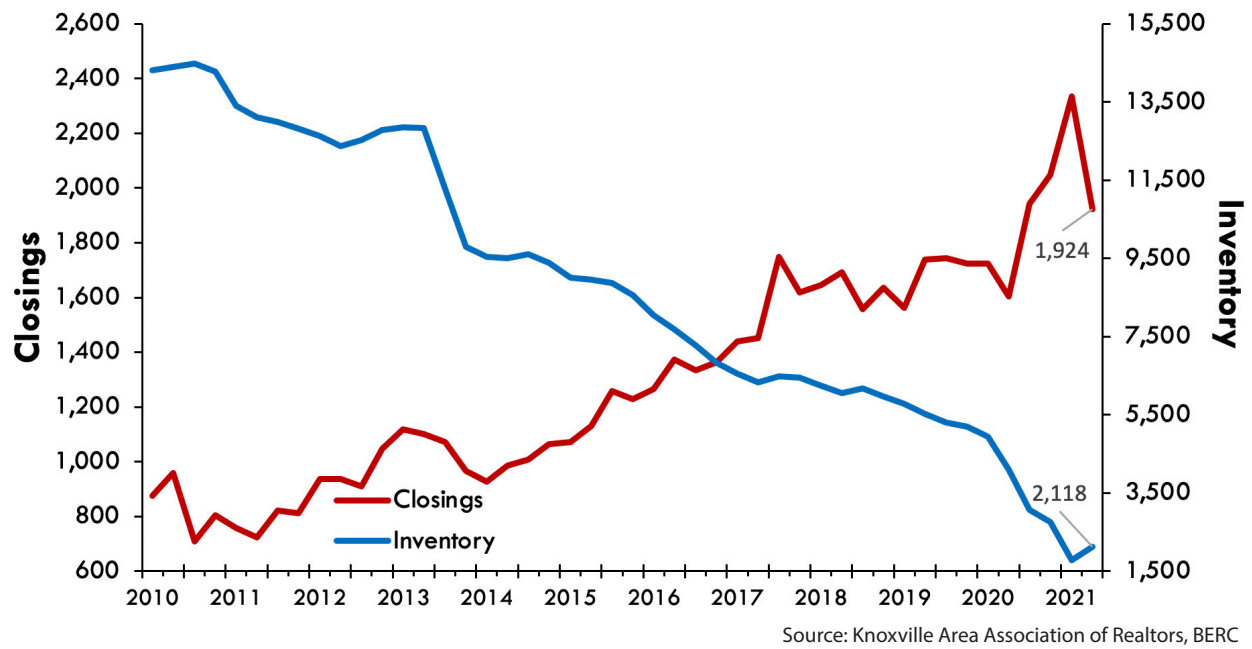
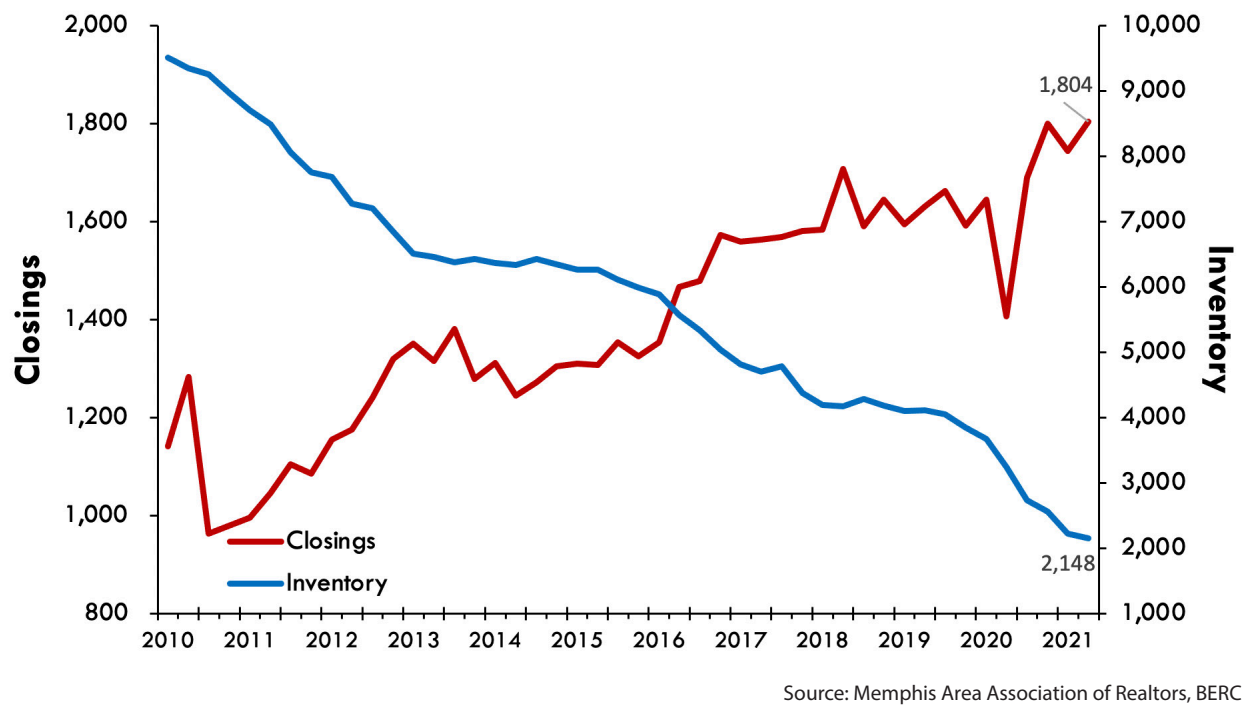


Figure 7.3 Single-family sales and inventory - Memphis Area



Home Prices

Among the major metropolitan statistical areas in Tennessee, all saw increases in home prices. Morristown, Jackson, and Knoxville MSAs had the largest annual growth rate (16.71%, 15.3%, and 15.08%, respectively). All MSAs also saw an increase in home prices from the previous quarter. Morristown, Jackson, and Knoxville MSAs had quarterly

growth (6.24%, 8.8%, and 6.8 respectively).

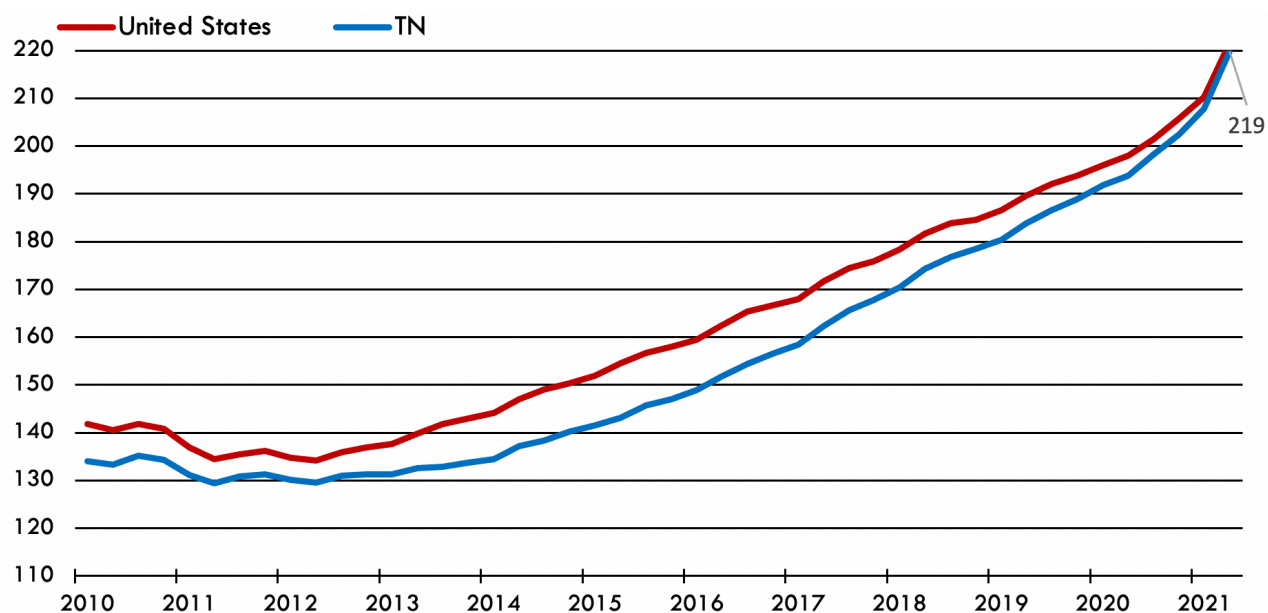
Tennessee and the U.S. mirror the MSAs with growth in house prices over the quarter and year. Quarterly growth for the U.S. and Tennessee were 5.33% and 5.74, respectively. Annual growth was 11.91% and 13.42%.

Table 3. Change in housing prices year to year

Area	2019.3-2020.3	2019.4-2020.4	2020.1-2021.1	2020.2-2021.2
Chattanooga MSA	6.8%	7.8%	9.5%	13.9%
Clarksville MSA	8.6%	8.2%	8.2%	13.7%
Cleveland MSA	7.8%	8.6%	9.6%	14.5%
Jackson MSA	5.6%	6.1%	6.0%	15.3%
Johnson City MSA	5.4%	6.4%	7.9%	11.7%
Kingsport-Bristol MSA	6.0%	5.5%	7.3%	11.1%
Knoxville MSA	6.7%	8.6%	9.4%	15.1%
Memphis MSA	6.6%	7.1%	8.1%	12.4%
Morristown MSA	6.2%	8.3%	9.9%	16.7%
Nashville MSA	5.9%	6.9%	7.5%	13.2%
Tennessee	6.3%	7.2%	8.3%	13.4%
United States	4.9%	6.2%	9.5%	11.9%

Source: FHFA All Transactions Index

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



Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

Q2 2021 continued the downward trend for mortgage delinquencies in Tennessee and the U.S., at .39% and .6%, respectively. In addition to the quarterly decreases, mortgage delinquencies fell over the year for the U.S. at 2.45% and Tennessee at 2.22%.

Quarterly foreclosure rates did not change for the U.S., while Tennessee saw an increase of .01%. Annual foreclosure rates for both the U.S. and Tennessee increased by .01%.

Figure 9. Tennessee mortgages past due and foreclosure rate (percent of mortgages in place)

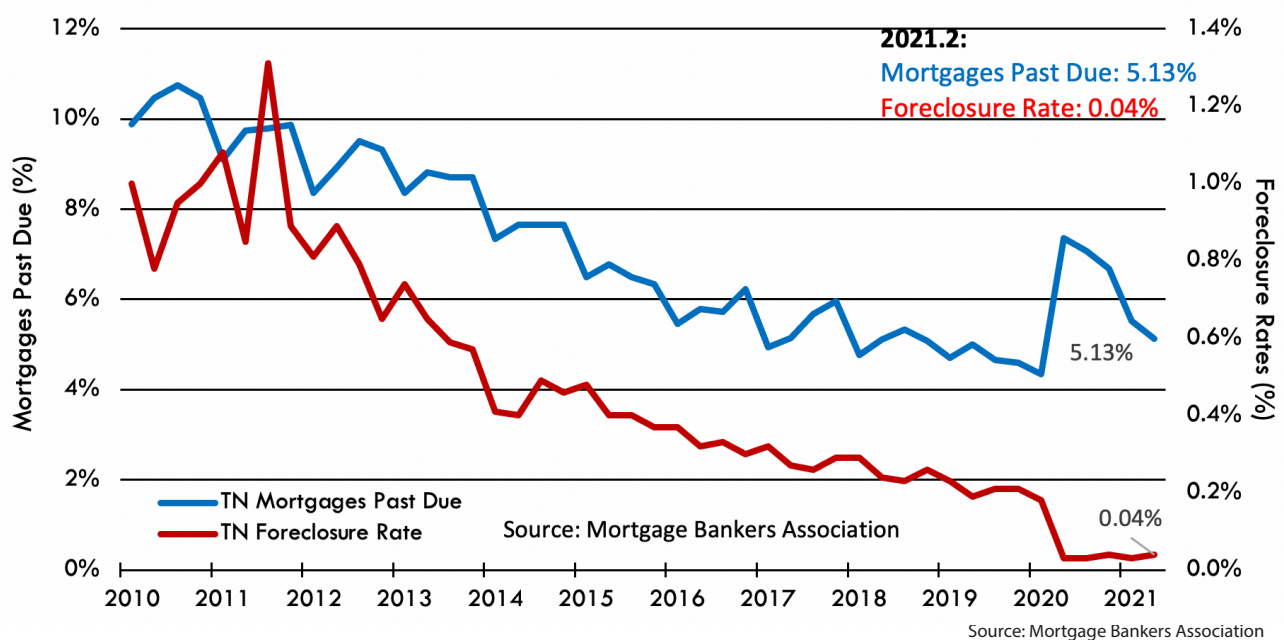
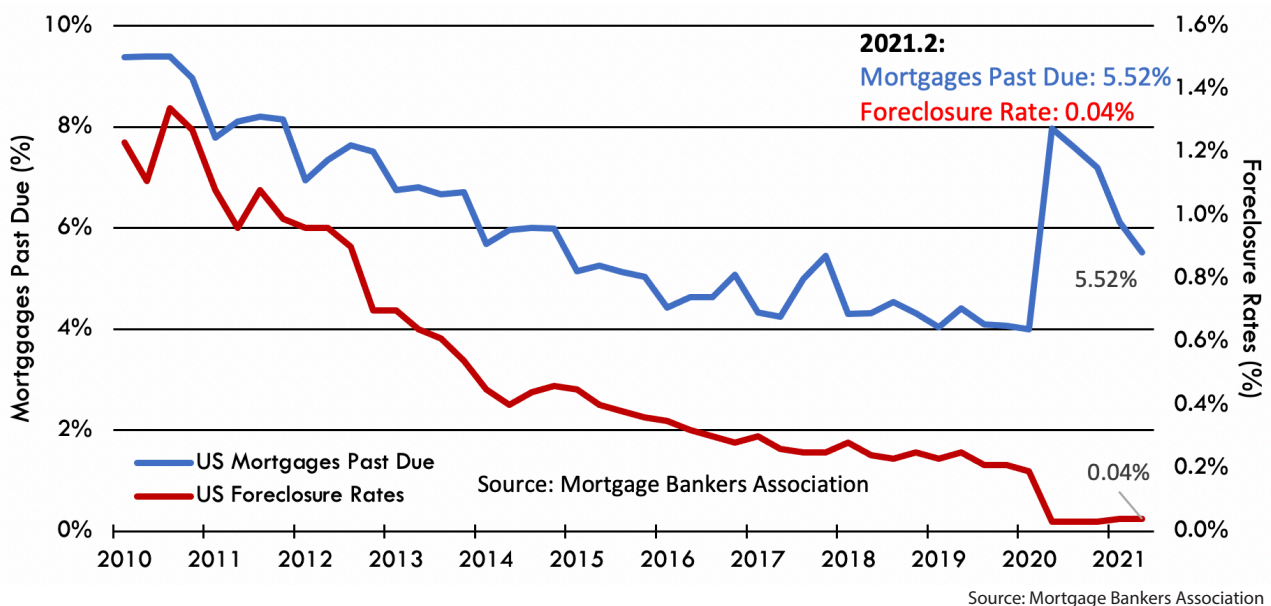


Figure 10. United States mortgages past due and foreclosure rate (percent of mortgages in place)



Conclusion

Q2 2021 data: Mostly positive indicators as unemployment levels decline

The second quarter of 2021 continues a path of primarily positive change. Unemployment continues to decline to levels before the COVID-19 pandemic, while employment continues to climb in recovery. Housing prices for the U.S. and Tennessee seem to follow a pattern of exponential growth,

while mortgage delinquencies inch closer to pre-pandemic levels, and foreclosures remain slightly above zero percent. As the economic impact of the pandemic wanes, the housing market in the U.S. and Tennessee continues to indicate a robust future.



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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)