

HOUSING

T E N N E S S E E

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MARCH 2021

TENNESSEE DASHBOARD 4TH QUARTER 2020 (percent change over the year)

| | | | | | |
|--|---|---------|--|---|--------|
| Weekly Unemployment Claims | ▲ | +218.18 | Total Home Permits* | ▲ | +9.5 |
| Total Nonfarm Employment* | ▼ | -3.37 | Mortgage Tax Collections | ▲ | +31.98 |
| Unemployment Rate (percentage points)* | ▲ | +2.83 | Real Estate Transfer Tax Collections | ▲ | +25.30 |
| Homeowner Vacancy Rate (percentage points) | ▼ | -0.40 | Home Prices* | ▲ | +7.15 |
| Rental Vacancy Rate (percentage points) | ▼ | -1.80 | Mortgages Past Due (percentage points) | ▲ | +2.08 |
| Single-Family Home Permits* | ▲ | +19.31 | Foreclosure Rate** (percentage points) | ▼ | -0.17 |

*seasonally adjusted

**FHA foreclosure ban in effect until 2021

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Tennessee's Q4 2020: Most indicators are showing positive outcomes

The majority of Tennessee's economic indicators show positive outcomes for the fourth quarter of 2020. Compared to 2019, the most significant growth was seen in mortgage tax collections, which rose by 31.98%. The state also experienced an uptick in real estate tax collections over the year, by 25.30%. Additionally, single-family home permits (19.31%) and total home permits (9.5%) increased over the year, making Q4 the third consecutive quarter of growth for these indicators.

Although most indicators bring positive news, four outcomes are negative for the last quarter. Claims for unemployment insurance are up by 218.18% in annual

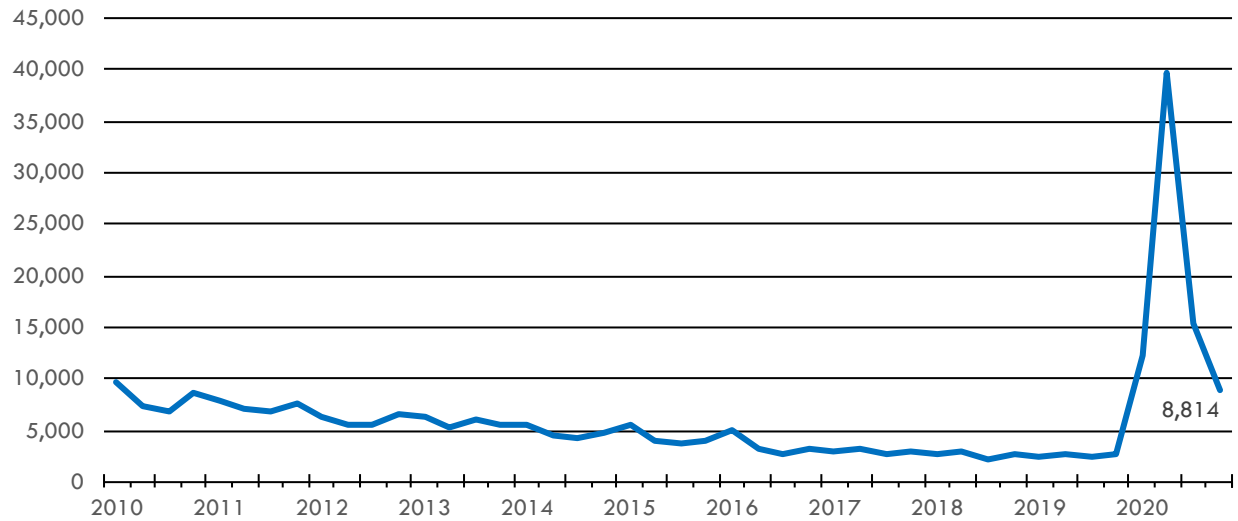
comparisons, coming to a quarterly average of 8,814.

This number is analogous to unemployment claims numbers during the end of the recession in 2009. Nonfarm employment dropped by 3.37% and the unemployment rate climbed by 2.83 percentage points over the year.

Employment in all industries is lower than that in 2019 but higher than employment in the third quarter. Increases over the quarter are slight, with manufacturing having the largest increase, of 2.11%. Total employment decreased over the year but rose over the quarter, by -2.96% and 3.07%, respectively.

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)

| | 2019.4 | 2020.1 | 2020.2 | 2020.3 | 2020.4 |
|---|--------|--------|--------|--------|--------|
| Employment by Industry (Nonfarm) | | | | | |
| Total Nonfarm | 3,141 | 3,153 | 2,858 | 2,985 | 3,035 |
| Goods-Producing Sectors | 487 | 487 | 437 | 455 | 462 |
| Manufacturing | 353 | 354 | 306 | 325 | 332 |
| Services-Providing Sectors | 2,654 | 2,666 | 2,422 | 2,530 | 2,573 |
| Labor Force | 3,342 | 3,333 | 3,163 | 3,311 | 3,342 |
| Total Employment | 3,225 | 3,204 | 2,797 | 3,037 | 3,130 |
| Unemployed | 117 | 129 | 367 | 274 | 212 |
| Unemployment Rate | 3.50% | 3.87% | 11.57% | 8.30% | 6.33% |

Source: Bureau of Labor Statistics

Vacancy Rate

Tennessee's homeowner vacancy rate increased by 0.10 percentage points in quarterly comparisons, bringing it to 0.90%. However, the state's homeowner vacancy rate has dropped over the year by 0.40 percentage points. The rental vacancy (7.40%) has decreased over the quarter and year by 1.00 percentage point and 1.80 percentage points, respectively. This downturn brings the rental vacancy rate to the same level as the first quarter of 2020.

Like Tennessee's, the U.S. homeowner vacancy rate (1.00%) rose over the quarter by 0.10 percentage points, and decreased over the year by 0.40 percentage points. The U.S. rental vacancy rate had both an annual increase and a quarterly increase of 0.10 percentage points, bringing the rate to 6.50% this quarter.

Figure 2. Homeowner vacancy rate

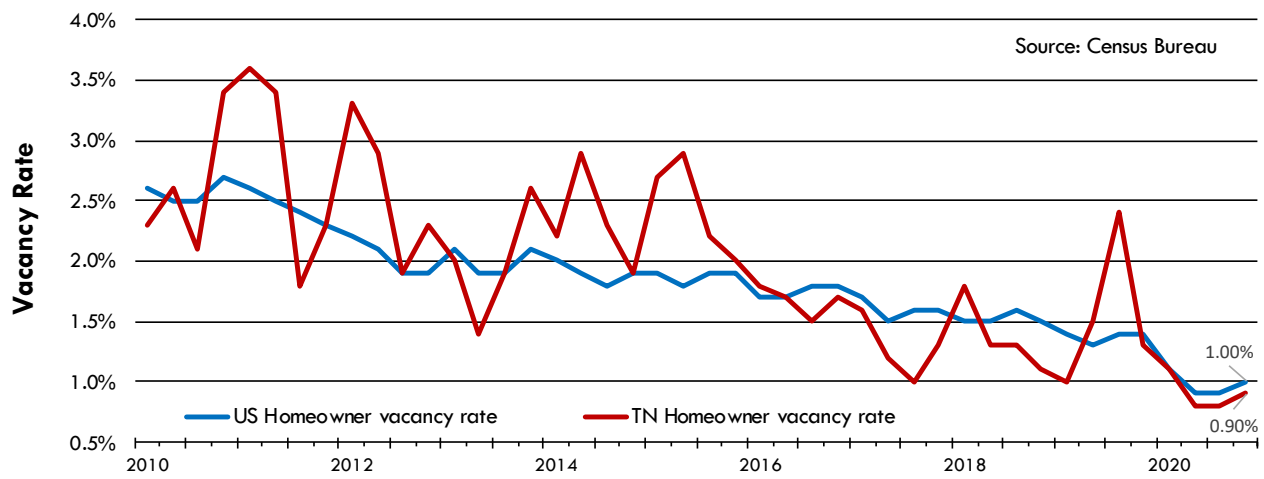
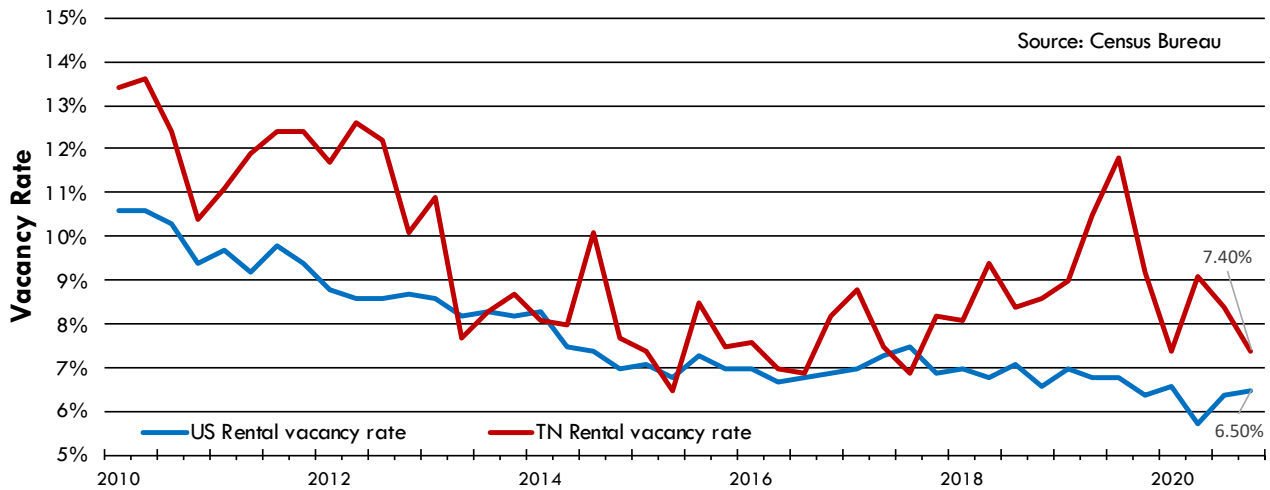


Figure 3. Rental vacancy rate



Housing Construction

For fourth-quarter housing construction, there were upturns in single-family permits across all regions. In Tennessee, single-family permits increased by 6.14% over the quarter and 19.31% over the year; the South experienced quarterly increases of 10.3% and annual increases of 30.1%; the U.S. also had positive growth over the month (8.9%) and year (27.4%).

In contrast, multi-family permits fell in all regions over the quarter and year. Multi-family permits in Tennessee

decreased by 17.0% over the quarter and 1.2% over the year; in the South, by 4.8% over the quarter and 14.4% over the year; and in the U.S., by 3.3% over the quarter and 12.0% over the year. Total permits comparisons were largely positive, with Tennessee seeing a drop in total permits in the quarterly comparisons (-3.6%) but an increase in annual comparisons (9.5%). In the South, total permits rose over the quarter (4.8%) and year (15.8%). Likewise, total permits in the U.S. increased over the quarter (3.8%) and year (11.5%).

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

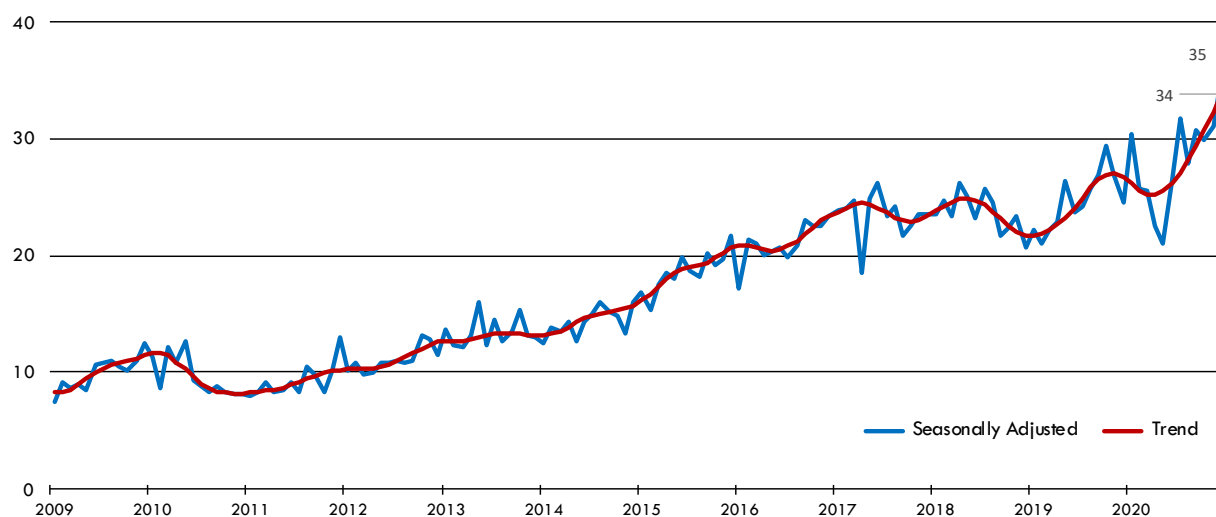


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

| Quarter | Single-Family Permits | | | Multi-Family Permits | | | Total Permits | | |
|-------------------------------------|-----------------------|-------|---------|----------------------|--------|--------|---------------|-------|---------|
| | Tennessee | South | U.S. | Tennessee | South | U.S. | Tennessee | South | U.S. |
| 2017.4 | 27.8 | 448.2 | 834.9 | 8.3 | 164.8 | 428.6 | 35.8 | 605.5 | 1,258.2 |
| 2018.1 | 28.7 | 463.1 | 861.6 | 5.4 | 187.9 | 479.3 | 34.8 | 651.7 | 1,333.4 |
| 2018.2 | 29.9 | 483.7 | 884.5 | 11.0 | 207.6 | 466.5 | 41.8 | 695.1 | 1,353.9 |
| 2018.3 | 28.8 | 462.1 | 841.3 | 14.6 | 190.6 | 432.5 | 41.9 | 652.2 | 1,279.1 |
| 2018.4 | 26.5 | 454.2 | 820.4 | 10.6 | 215.3 | 451.1 | 37.1 | 666.0 | 1,274.9 |
| 2019.1 | 26.2 | 444.0 | 787.8 | 11.6 | 202.8 | 475.4 | 38.7 | 649.2 | 1,252.4 |
| 2019.2 | 29.3 | 467.9 | 848.9 | 9.9 | 208.7 | 474.1 | 40.6 | 680.4 | 1,330.0 |
| 2019.3 | 30.7 | 492.9 | 865.0 | 10.5 | 231.3 | 533.5 | 39.8 | 722.2 | 1,398.3 |
| 2019.4 | 32.2 | 509.8 | 895.1 | 15.4 | 220.9 | 522.0 | 47.1 | 720.4 | 1,418.7 |
| 2020.1 | 32.7 | 522.6 | 935.0 | 10.7 | 204.3 | 489.5 | 44.1 | 735.7 | 1,415.4 |
| 2020.2 | 28.3 | 457.5 | 793.8 | 16.0 | 205.5 | 427.4 | 44.9 | 665.3 | 1,229.7 |
| 2020.3 | 36.1 | 601.7 | 1,047.8 | 18.3 | 198.4 | 475.0 | 53.5 | 795.7 | 1,523.9 |
| 2020.4 | 38.4 | 663.4 | 1,140.8 | 15.2 | 189.0 | 459.4 | 51.6 | 834.1 | 1,582.0 |
| Change from previous quarter | 6.4% | 10.3% | 8.9% | -17.0% | -4.8% | -3.3% | -3.6% | 4.8% | 3.8% |
| Change from previous year | 19.31% | 30.1% | 27.4% | -1.2% | -14.4% | -12.0% | 9.5% | 15.8% | 11.5% |

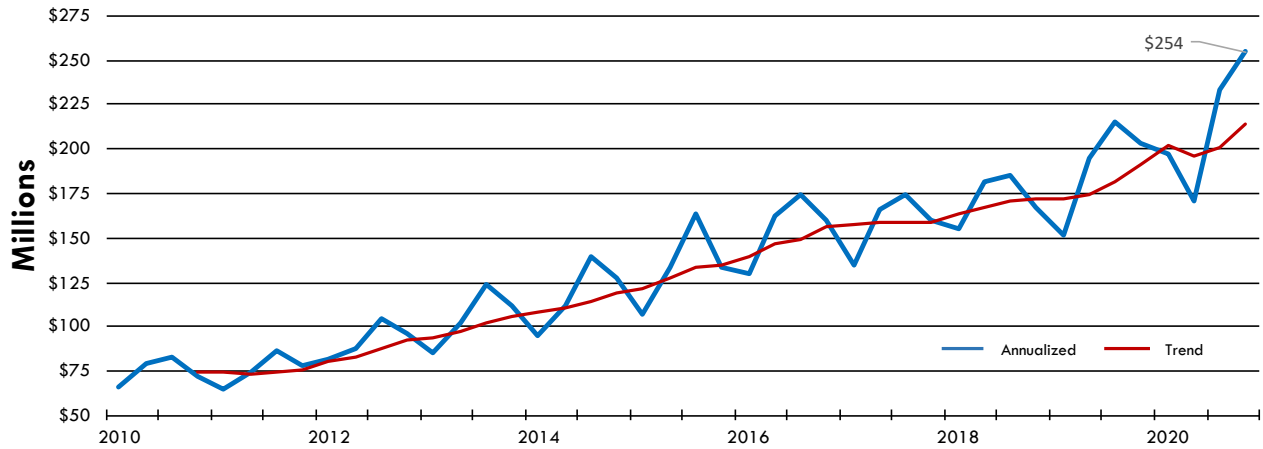
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections were higher compared to the previous quarter (9.32%) and previous year (25.30%). These collections averaged \$21.2 million in the fourth quarter, which made annualized collections \$254.4 million.

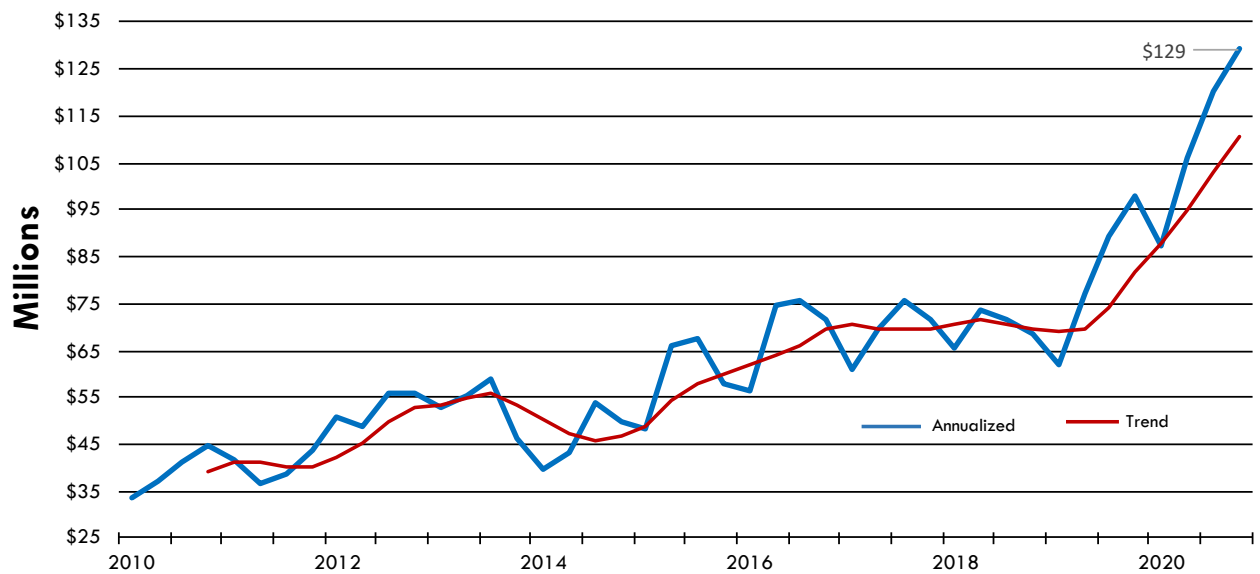
Mortgage tax collections increased over the quarter and year as well, by 7.36% and 31.98%, respectively. The quarterly average for mortgage tax collections was \$10.8 million, and annualized collections were \$129.3 million.

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



Source: Tennessee Department of Revenue and BERCC

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



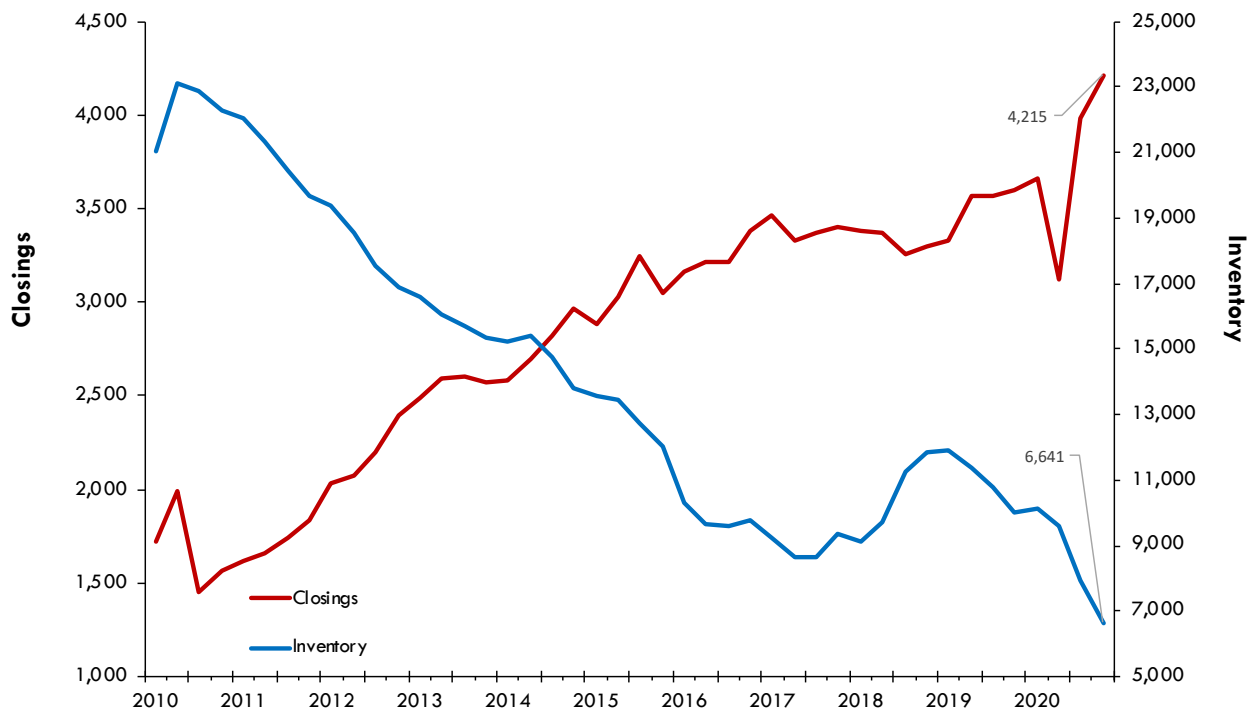
Source: Tennessee Department of Revenue and BERCC

Home Sales

Closings have increased for both the quarter and year in all regions. Memphis had the most substantial increase over the quarter, of 7.18%. Nashville and Knoxville follow, with quarterly increases of 5.82% and 5.29%, respectively. The highest jump in annual comparisons was seen in Knoxville (18.94%). Closings in Nashville climbed by 17.09% and in Memphis by 13.31% over the year.

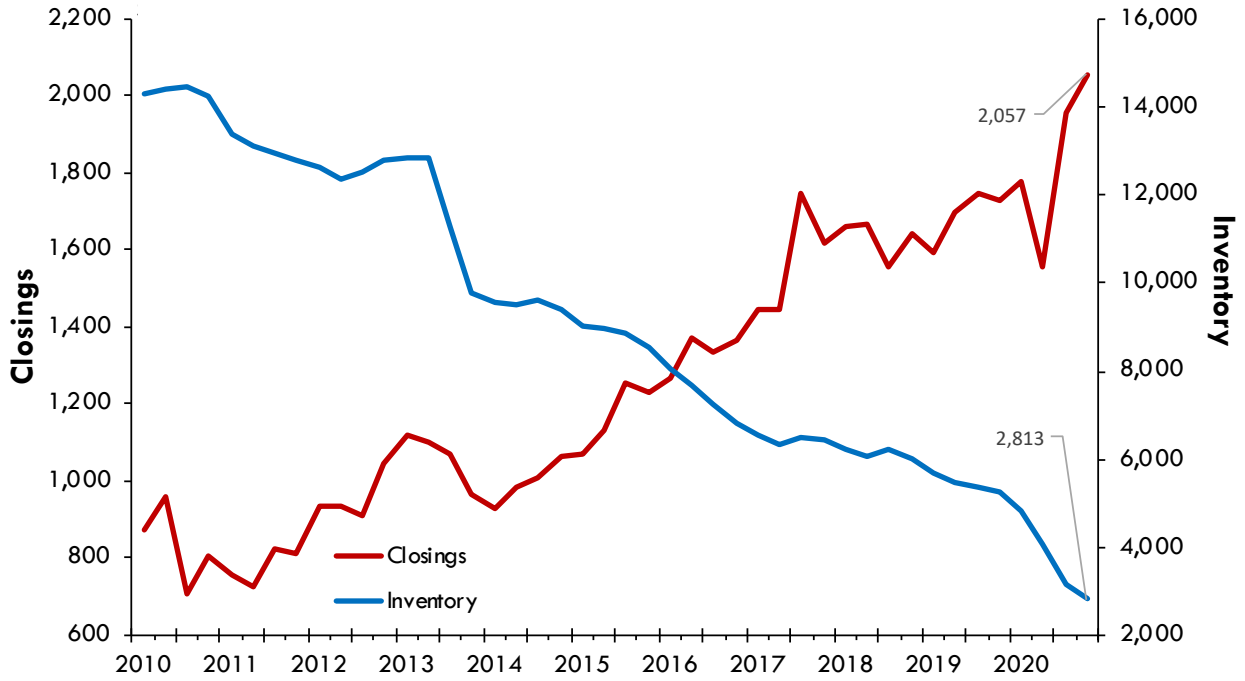
Inventory dropped in quarterly and annual comparisons in all areas. Nashville experienced a 16.16% decrease over the quarter, while Knoxville had a 10.22% drop and Memphis, a 6.11% decline over the quarter. For each region, there were significant downturns in inventory over the year: Knoxville (-46.49%) had the largest decrease compared to Memphis (-33.38%) and Nashville (-33.51%).

Figure 7.1 Single-family sales and inventory - Nashville Area



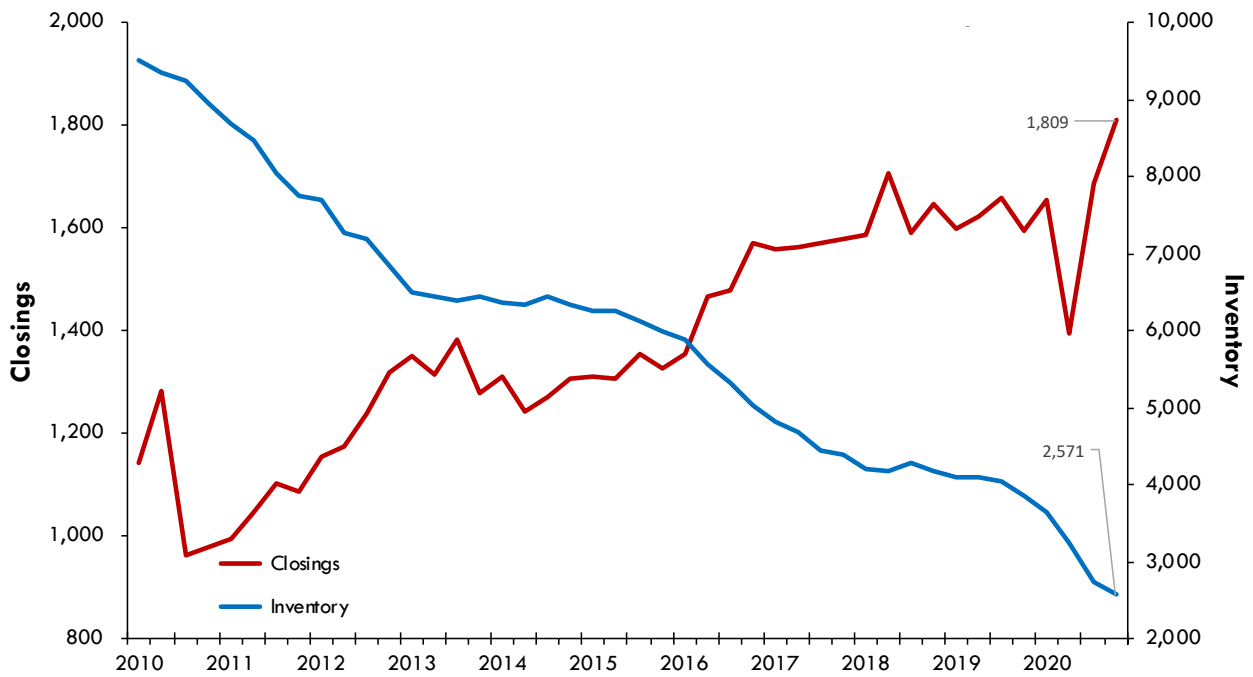
Source: Greater Nashville Association of Realtors, BERG

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 the final quarter of 2020, the trend of Tennessee's home prices rising at a slightly more acute pace than those of the United States continued. Compared to the previous year, home prices statewide increased by 7.1%, while home prices in the U.S. increased by 6.0%. All MSAs in Tennessee also had growth in home prices in yearly comparisons.

Cleveland MSA had the highest year-over-year increase, of 8.9%. While the rate of growth in Clarksville MSA dipped

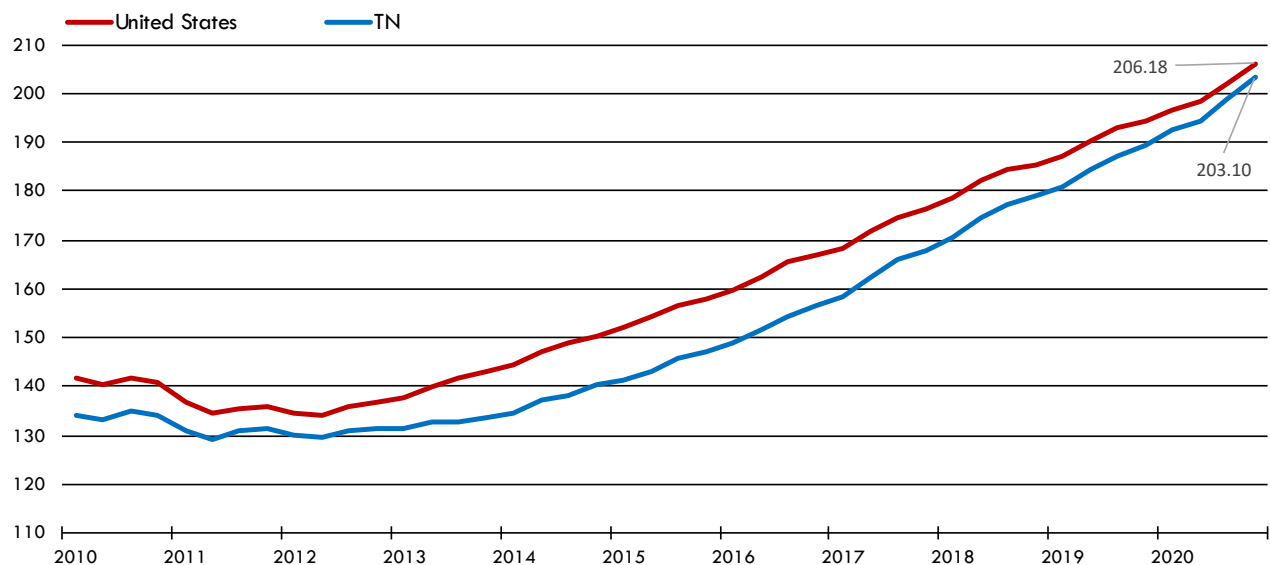
by a slight 0.3 percentage points from last quarter, the area still maintains one of the highest rates of growth (8.6% for Q4). The rate of growth in home prices increased in all other areas over the quarter, except for Kingsport-Bristol MSA; the rate declined by 1.06 percentage points over the quarter in Kingsport-Bristol MSA, bringing it to an annual increase of 4.6%.

Table 3. Change in housing prices year to year

| Area | 2019.1-2020.1 | 2019.2-2020.2 | 2019.3-2020.3 | 2019.4-2020.4 |
|-----------------------|---------------|---------------|---------------|---------------|
| Chattanooga MSA | 6.1% | 5.4% | 7.3% | 7.5% |
| Clarksville MSA | 10.3% | 6.0% | 8.9% | 8.6% |
| Cleveland MSA | 5.7% | 3.8% | 7.4% | 8.9% |
| Jackson MSA | 6.1% | 3.1% | 5.4% | 7.0% |
| Johnson City MSA | 5.0% | 5.1% | 5.3% | 6.0% |
| Kingsport-Bristol MSA | 4.3% | 3.6% | 6.2% | 4.6% |
| Knoxville MSA | 6.8% | 6.4% | 6.5% | 8.2% |
| Memphis MSA | 6.7% | 5.4% | 6.5% | 6.9% |
| Morristown MSA | 6.4% | 5.6% | 5.8% | 8.4% |
| Nashville MSA | 5.9% | 5.1% | 5.9% | 7.0% |
| Tennessee | 6.4% | 5.5% | 6.2% | 7.1% |
| United States | 5.1% | 4.3% | 4.8% | 6.0% |

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

Mortgage delinquencies dropped over the quarter (-0.40 percentage points) but increased over the year (2.08 percentage points) in Tennessee. A similar pattern was found in mortgage delinquencies nationwide: a decrease of 0.41 percentage points in quarterly comparisons and an increase of 3.12 percentage points in annual comparisons was noted. Tennessee's fourth quarter ratio of mortgages

past due (6.68%) is lower than that of the U.S. (7.19%).

The foreclosure rate in Tennessee was 0.04% for Q4. This is higher than the previous quarter, by 0.01 percentage points, but lower than the previous year, by 0.17 percentage points. The United States' foreclosure rate remained at 0.03%, with no quarterly change and an annual decrease of 0.18 percentage point.

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

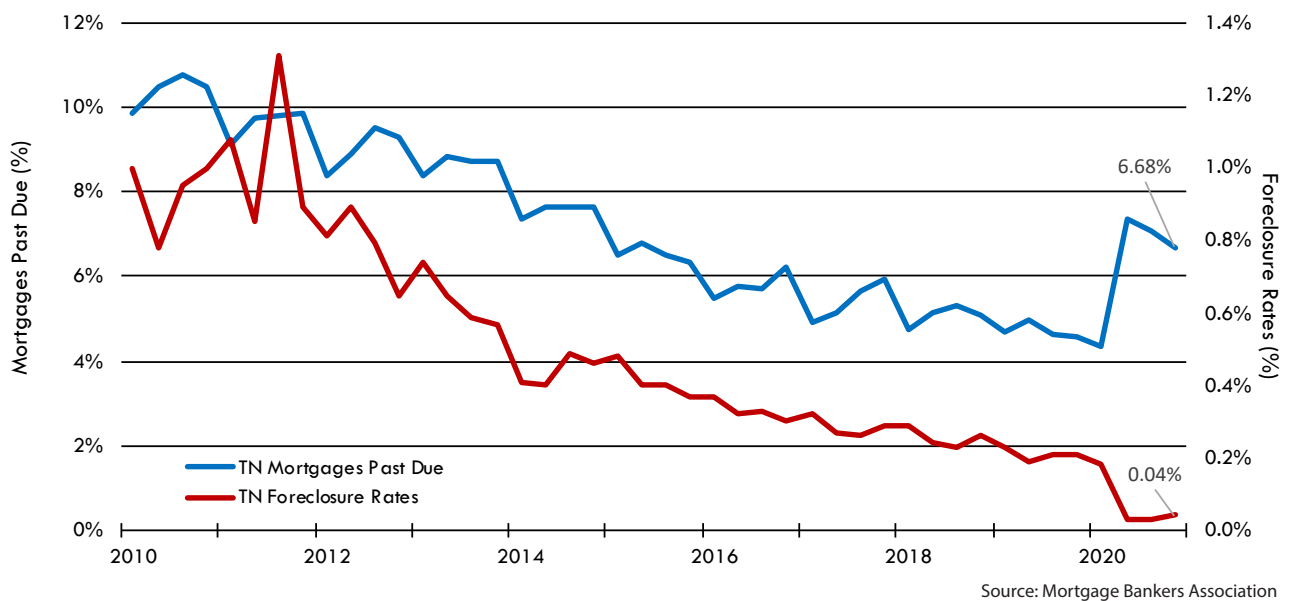
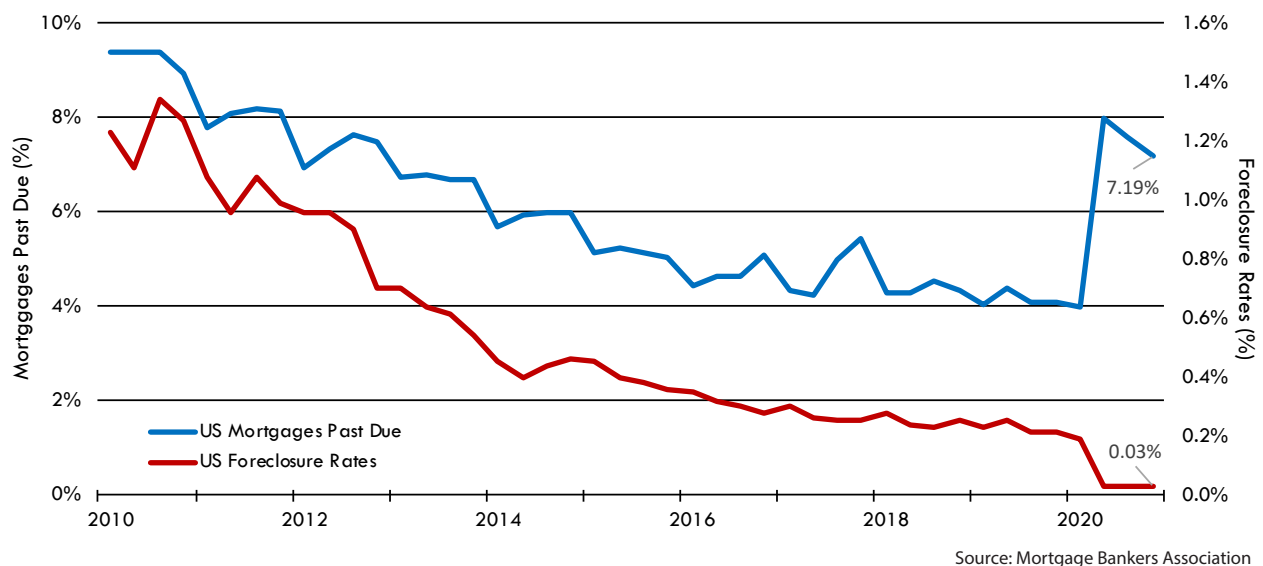


Figure 10. United States mortgages past due and foreclosure rate (percent of mortgages in place)



Conclusion

Q4 indicators showing positive growth with improvements in unemployment data

Fourth-quarter data generally show positive growth in Tennessee's economy. While initial claims for unemployment insurance and the unemployment rate are still high compared to 2019, they have improved over the quarter. Unemployment claims have dropped by 42.79% and the unemployment rate by 1.97 percentage points in quarterly comparisons.

Although only by a small amount, employment across all tracked industries increased over the quarter. Single-family permits and tax collections had strong upswings. Also, closings increased, and inventory decreased for all regions in both quarterly and annual comparisons.



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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)