

# HOUSING

## TENNESSEE

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June 2022

### TENNESSEE DASHBOARD 1ST QUARTER 2023 (percent change over the year)

Weekly Unemployment Claims	▼	-33.77	Total Home Permits*	▼	-22.97
Total Nonfarm Employment*	▲	+3.74	Mortgage Tax Collections	▼	-46.26
Unemployment Rate (percentage points)*	▲	+0.10	Real Estate Transfer Tax Collections	▼	-38.88
Homeowner Vacancy Rate (percentage points)	▼	-0.50	Home Prices*	▲	+11.76
Rental Vacancy Rate (percentage points)	▲	+0.70	Mortgages Past Due (percentage points)	▼	-0.59
Single-Family Home Permits*	▼	-32.18	Foreclosure Rate (percentage points)	▼	-0.03

\*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

## Economic Overview

### Q1 2023 indicators show mixed outcomes in Tennessee

For Q1 2023, Tennessee saw mixed economic indicators. Weekly unemployment claims, total nonfarm employment, homeowner vacancy rate, home prices, mortgage past due, and foreclosure rates saw annual improvements. The areas of concern include the unemployment rate, rental vacancy rate, single-family home permits, total home permits, mortgage tax collections, and real estate transfer tax collections. From last year, unemployment claims have fallen by 33.77%.

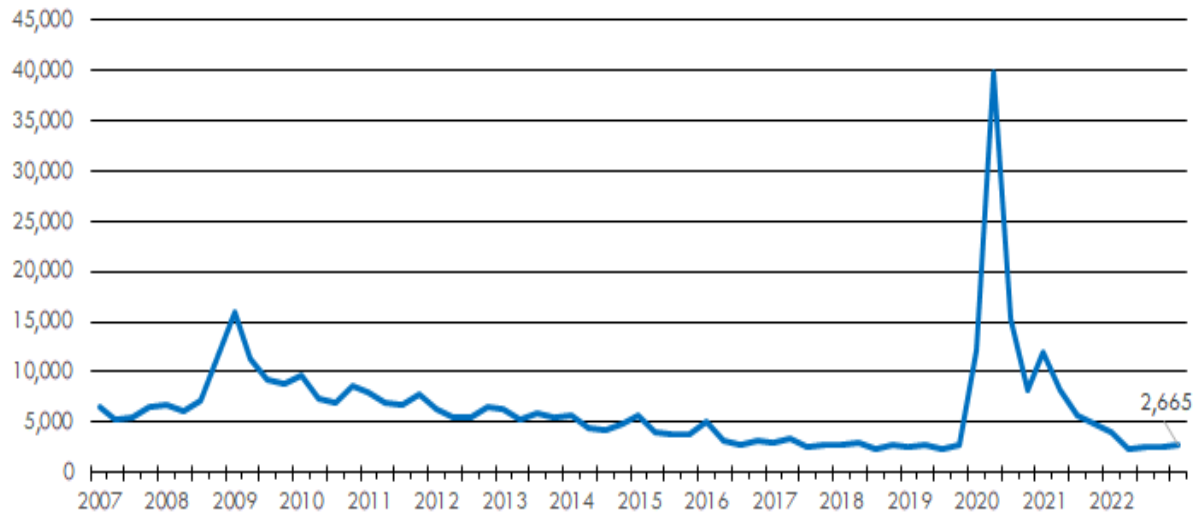
Nonfarm employment rose by 3.74% annually and 1.08% quarterly. The unemployment rate grew by 0.10 percentage points annually and declined by 0.03 percentage points quarterly. Goods-Producing, Manufacturing, and Services-Providing sectors saw annual growth of 4.17%, 2.82%, and 3.66%, respectively. Quarterly, these sectors grew by 0.90%, 0.92%, and 1.12%, respectively.

Housing indicators also show varied outcomes in the first quarter of 2023. Homeowner vacancy rates declined by 0.50 percentage points for the year, while rental vacancy rates increased by 0.70 percentage points.

Annually, housing prices increased by 11.8%. Single-family and total home permits declined annually while growing quarterly. Mortgages past due and foreclosure rates declined by 0.59 percentage points and 0.03 percentage points, 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)

	2022.1	2022.2	2022.3	2022.4	2023.1
<b>Employment by Industry (Nonfarm)</b>					
Total Nonfarm	3,189	3,225	3,246	3,273	3,309
Goods-Producing Sectors	504	510	515	521	525
Manufacturing	358	359	361	365	368
Services-Providing Sectors	2,685	2,715	2,732	2,753	2,783
Labor Force	3,358	3,402	3,398	3,344	3,329
Total Employment	3,245	3,291	3,284	3,229	3,214
Unemployed	113	112	114	116	115
Unemployment Rate	3.37%	3.27%	3.37%	3.50%	3.47%

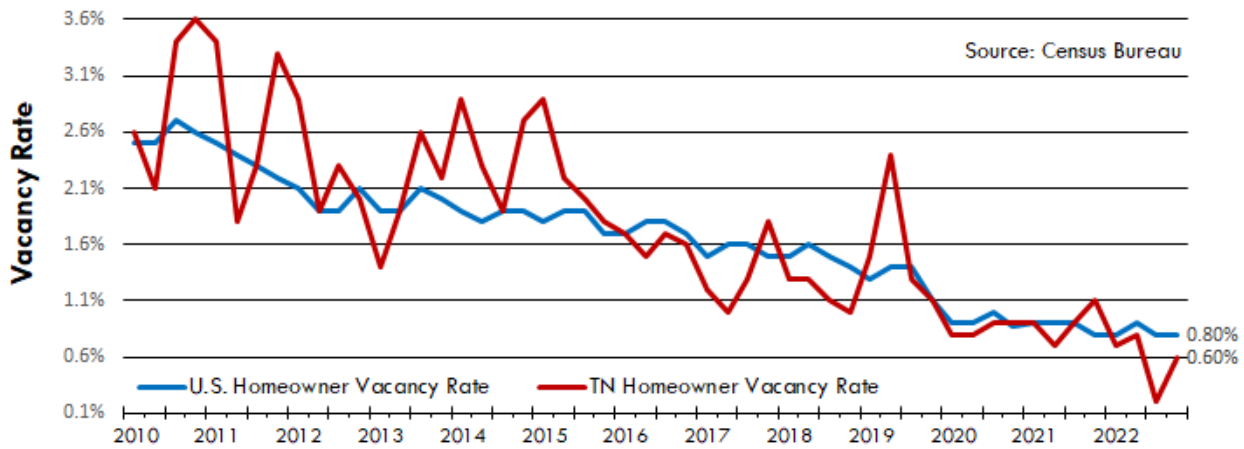
Source: Bureau of Labor Statistics

# Vacancy Rate

Vacancy rates varied both annually and quarterly in Tennessee and the United States. Tennessee homeowner vacancy rates decreased by 0.50 percentage points annually and increased by 0.40 percentage points quarterly. In comparison, the United States homeowner vacancy rates remained the same annually and quarterly.

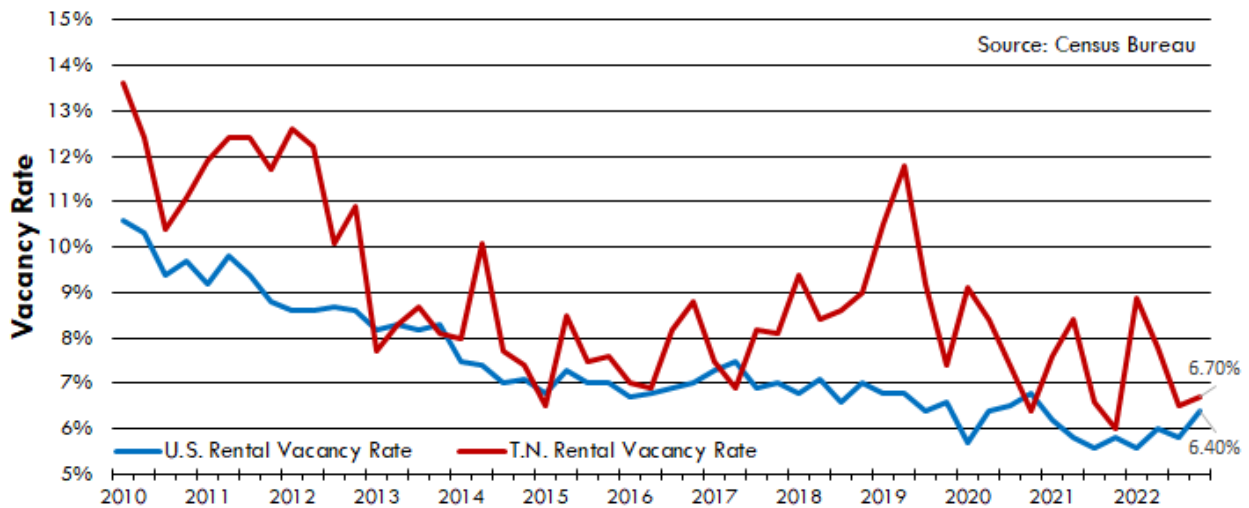
Tennessee and the United States rental vacancy rates rose both annually and quarterly. Tennessee's rental vacancy rate grew by 0.70 percentage points for the year and by 0.20 percentage points for the quarter. Similarly, rental vacancy rates in the United States increased by 0.60 percentage points annually and quarterly.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

# Housing Construction

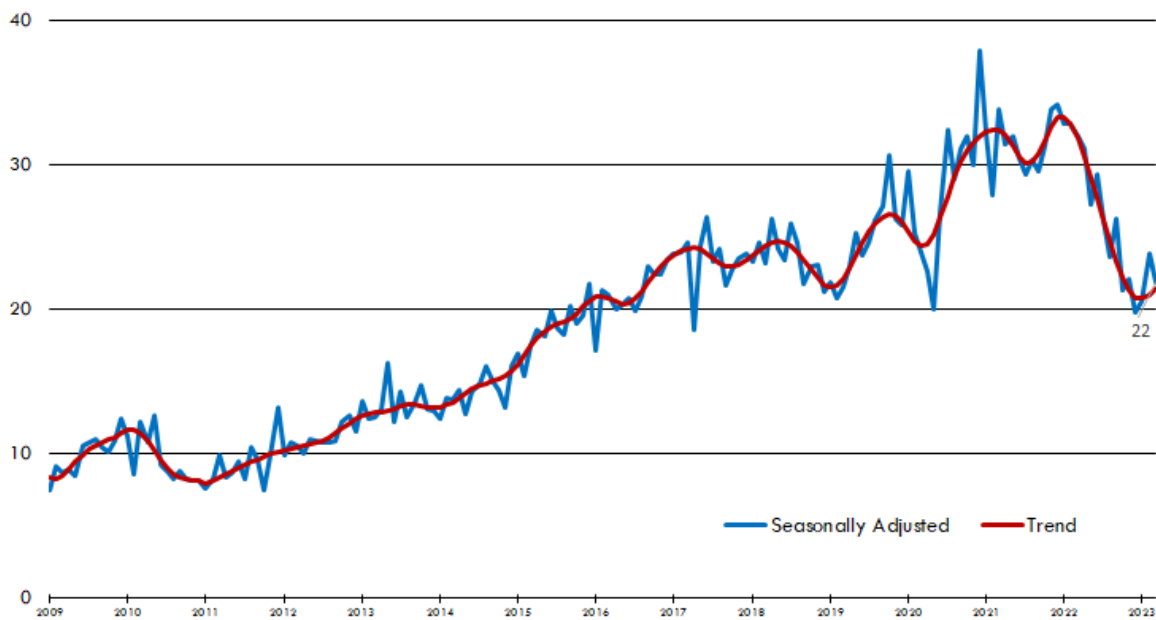
Single-family permits in Tennessee, the South, and the United States decreased annually and increased quarterly. Quarterly, single-family permits grew by 4.7% in Tennessee, 0.7% in the South, and 0.8% in the United States. Annually, the single-family permits fell by 32.18% in Tennessee, 28.94% in the South, and 32.23% in the United States.

Multi-family permits increased quarterly in all observed regions and had mixed annual outcomes. From the previous quarter,

multi-family permits expanded by 228.6% in Tennessee, 2.7% in the South, and 6.8% in the United States. From the last year, multi-family permits grew by 1.61% in Tennessee and 15.25% in the South while contracting by 0.88% in the United States.

Total permits saw a quarterly increase and annual decrease in Tennessee, the South, and the United States. Total permits for the quarter rose by 46.2% in Tennessee, 2.2% in the South, and 1.3% in the United States. Conversely, total permits for the year declined by 22.97% in Tennessee, 15.94% in the South, and 21.03% in the United States.

**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.
2020.1	31.6	521.6	933.8	10.8	202.0	473.0	43.5	726.5	1,403.7
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
Change from previous quarter	4.7%	0.7%	0.8%	228.6%	2.7%	6.8%	46.2%	2.2%	1.3%
Change from previous year	-32.18%	-28.94%	-32.23%	1.61%	15.25%	-0.88%	-22.97%	-15.94%	-21.03%

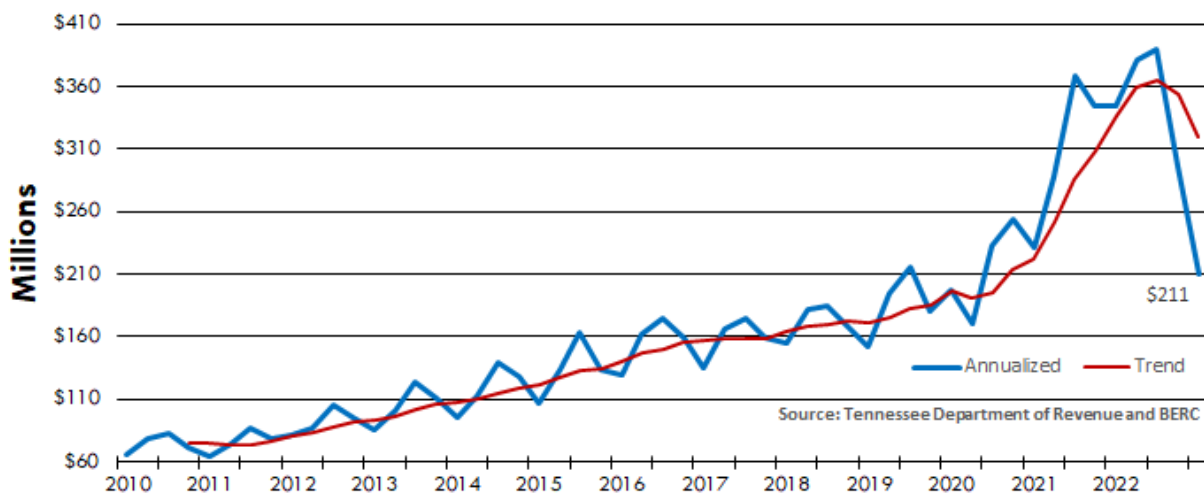
Source: Census Bureau

# Real Estate Transactions & Mortgages

Real estate transfer tax collections saw a significant quarterly decline (q4:2022: 28.97%) and an annual decline (q1:2022: 38.88%). Real estate transfer tax collections were over 17 million dollars, while annualized collections were approximately 211 million.

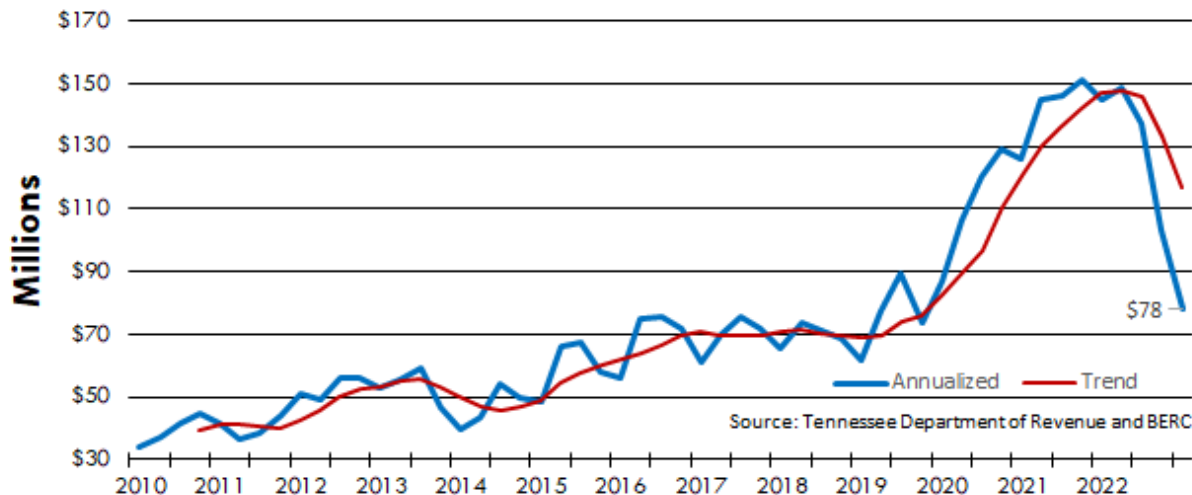
Mortgage tax collections decreased from the fourth quarter of 2022 by 24.73% and annually by 46.26%. The quarterly average for mortgage tax collections was approximately 6.5 million dollars, and the annualized collections were nearly 78 million.

**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)



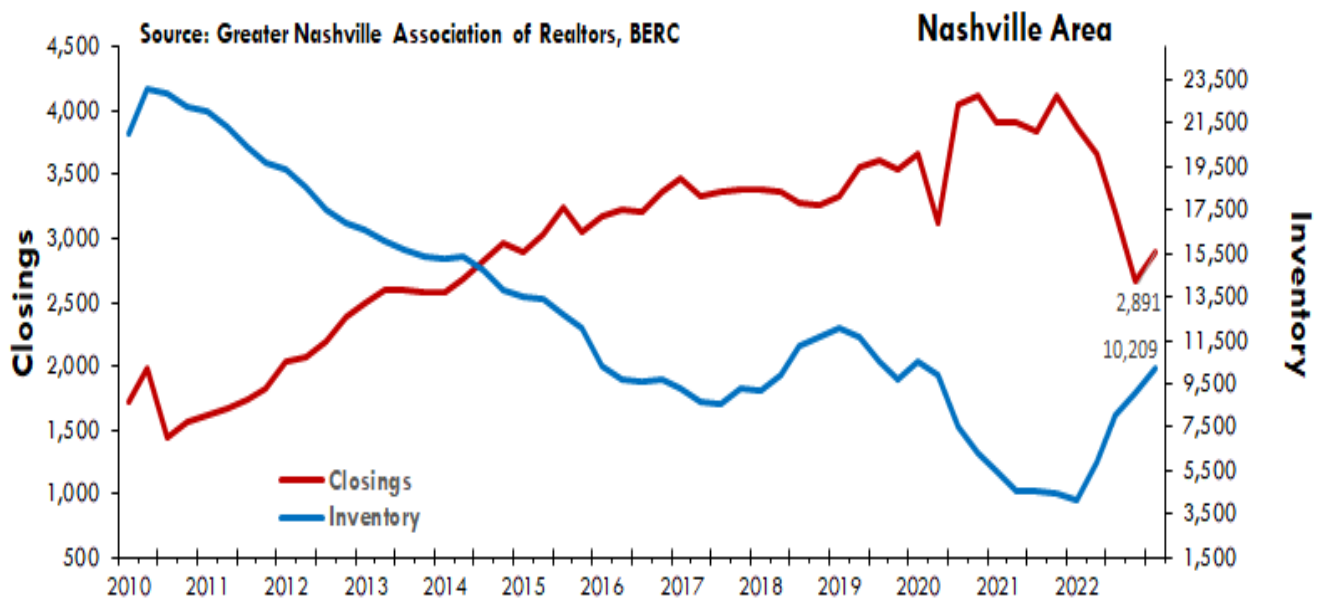
Source: Tennessee Department of Revenue and BERC

# Home Sales

Quarterly and annual closing were varied for the Nashville, Knoxville, and Memphis regions. Quarterly closings increased by 8.16% in Nashville and 2.51% in Knoxville while decreasing by 2.38% in Memphis. Annually, closings declined by 25.33% in Nashville, 15.39% in Knoxville, and 24.74% in Memphis.

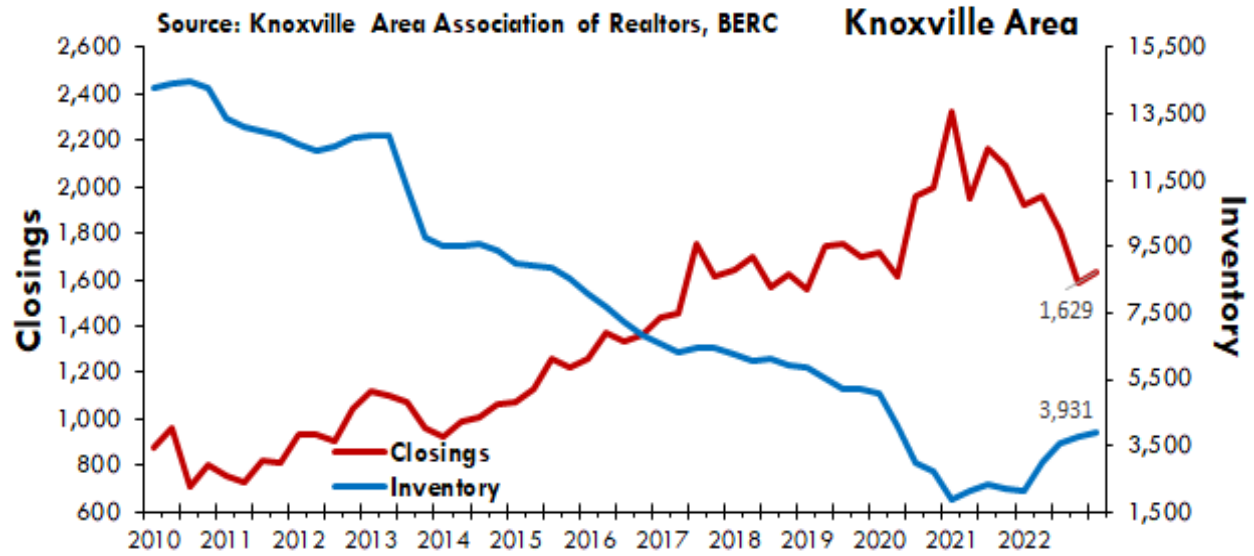
Inventory changes were positive for all observed regions, both quarterly and annually. Nashville had the most significant quarterly growth of 12.06%, followed by Memphis with 9.13% and Knoxville with 3.48%. Yearly changes in inventory were also most notable for the Nashville area, with an increase of 146.46%. The Knoxville and Memphis areas saw 82.06% and 46.48% expansions, respectively.

Figure 7.1 Single-family sales and inventory - Nashville Area



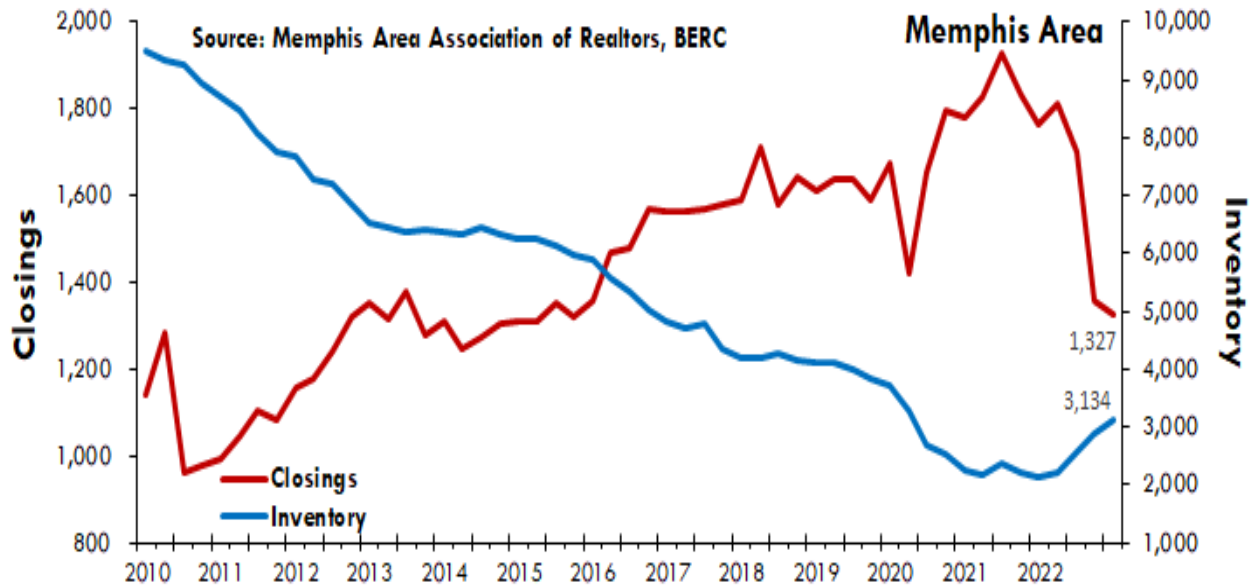
Source: Greater Nashville Association of Realtors, BERG

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 Q1 2023, home prices for all MSAs in Tennessee rose. The Johnson City MSA saw the most significant increase of 21.6%, while the Clarksville MSA had the smallest annual growth of 9.4%.

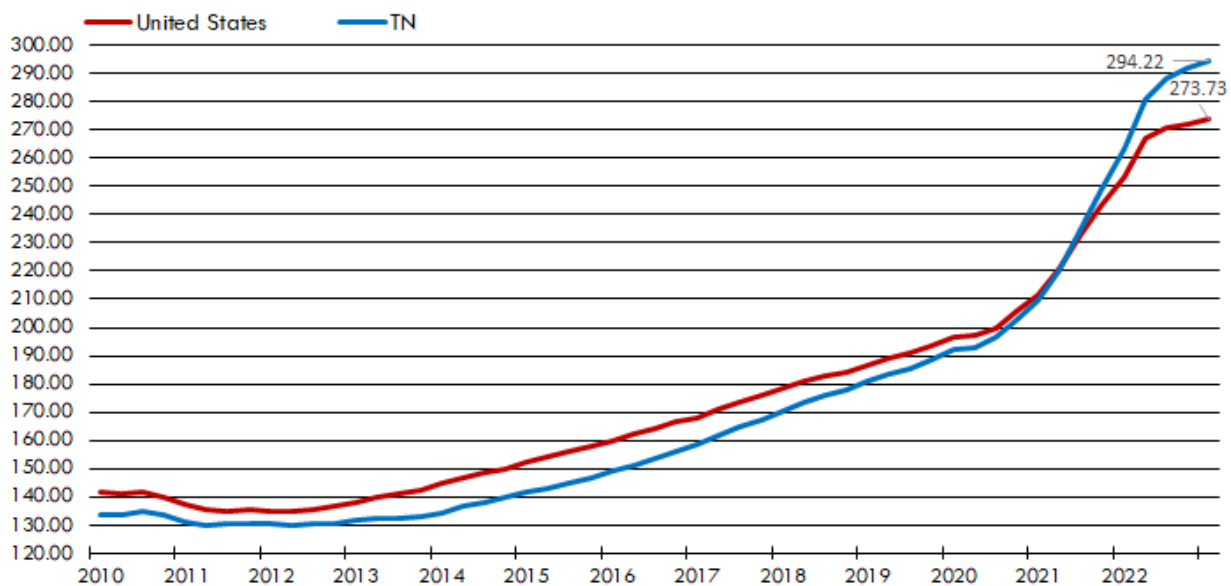
Home prices from the previous quarter fell for Tennessee and the United States. Quarterly, Tennessee declined by 5.4% and the United States by 15%. Annually Tennessee and the United States grew by 11.8% and 8.1%, respectively.

**Table 3. Percent change in housing prices year to year**

Area	2021.2-2022.2	2021.3-2022.3	2021.4-2022.4	2022.1-2023.1
Chattanooga MSA	24.3%	20.3%	15.8%	13.1%
Clarksville MSA	29.5%	22.6%	16.7%	9.4%
Cleveland MSA	25.0%	22.1%	15.1%	11.6%
Jackson MSA	23.9%	23.0%	19.1%	12.7%
Johnson City MSA	27.5%	25.6%	19.6%	21.6%
Kingsport-Bristol MSA	29.4%	22.1%	18.7%	16.1%
Knoxville MSA	28.9%	24.5%	20.2%	14.6%
Memphis MSA	20.9%	17.2%	14.8%	10.9%
Morristown MSA	21.9%	23.9%	19.4%	14.0%
Nashville MSA	30.3%	25.1%	16.5%	10.1%
Tennessee	27.2%	23.0%	17.2%	11.8%
United States	20.8%	16.4%	23.1%	8.1%

Source: FHFA All Transactions Index

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



Source: www.FHFA.gov All Transactions Index

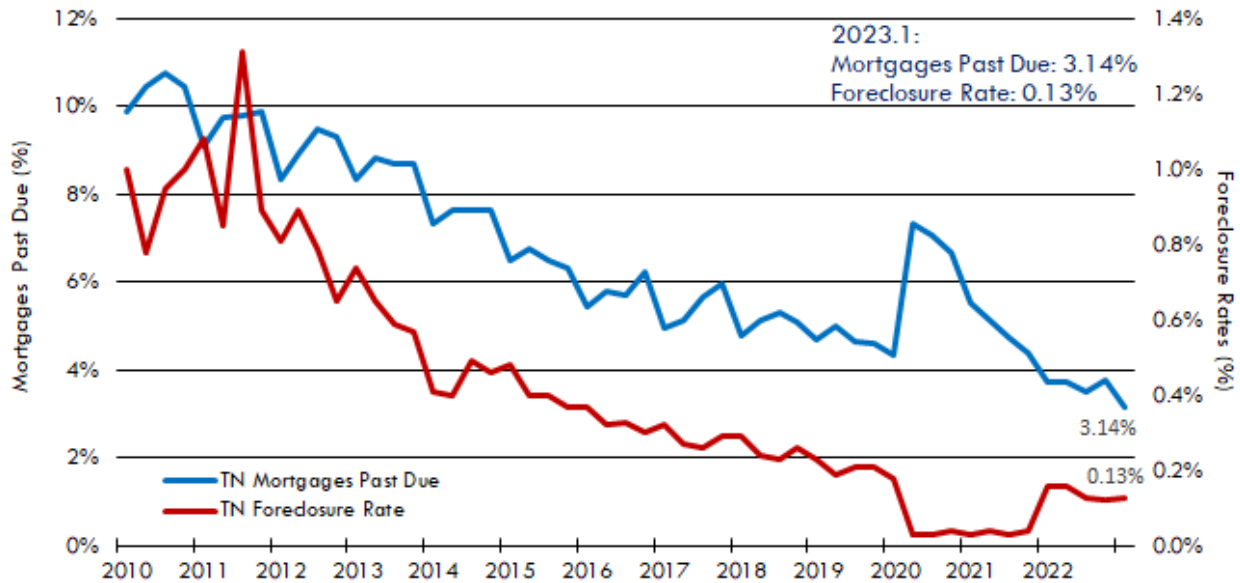


# Mortgage Delinquencies & Foreclosures

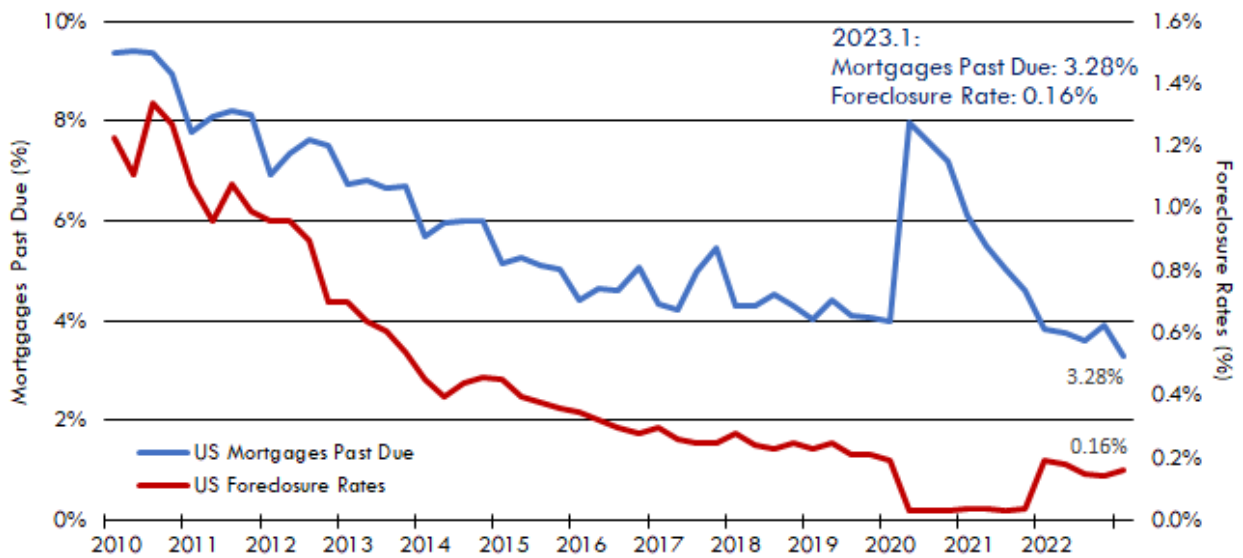
In Q1 2023, Tennessee observed a decline in mortgage delinquencies (0.65 percentage points) and a slight increase in foreclosure rates (0.01 percentage points). Similarly, the United States had a decrease of 0.64 percentage points in mortgage delinquencies and a rise of 0.02 percentage points in foreclosure rates.

Annual mortgage delinquencies and foreclosure rates dropped for Tennessee and the United States. Tennessee experienced a 0.59 percentage-point decrease, and the United States saw a 0.56 percentage-point decline in mortgage delinquencies annually. Foreclosure rates decreased by 0.03 percentage points for Tennessee and the United States.

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



Source: Mortgage Bankers Association



Source: Mortgage Bankers Association

# Conclusion

## Economic indicators send mixed signal in q1 2023

In the first quarter of 2023, economic and housing indicators were varied. Nonfarm employment continues its upward trend. Other highlights include the increasing home prices, although at a decreasing rate, and overall decreases in single-family and total home permits.

Mortgage delinquencies and foreclosure rates declined annually. Housing inventory is on the rise for the large metropolitan areas, while closings are slowly picking up.



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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)