



## The Northeast Tennessee Housing Crisis

*“A man is not a whole and complete man unless he  
owns a house and the ground it stands on.”  
– Walt Whitman*

# Northeast Tennessee is the Epicenter of the Nationwide Decline in Affordability

## These two cities in TN named the best markets for house flipping in the United States

by: [Alicia Patton](#)  
Posted: Aug 16, 2022 / 08:23 AM EDT  
Updated: Aug 16, 2022 / 08:23 AM EDT

### The Top 5 U.S. Markets for House Flipping in 2022:

1. Scranton, Pennsylvania
2. Kingsport-Bristol, Tennessee
3. Reading, Pennsylvania
4. Pittsburgh, Pennsylvania
5. Johnson City, Tennessee

## Realtor.com's 10 'Hottest ZIP Codes of 2022' Highlight Where Homes Sell Fastest and Why

### MEDIAN LISTING PRICE: JUNE 2022 HOTTEST ZIP CODES IN AMERICA

1 Brighton, NY 14618   \$275K	6 Bethlehem, PA 18017   \$424K
2 Nashua, NH 03062   \$536K	7 Johnson City, TN 37604   \$329K
3 Worthington, OH 43085   \$467K	8 Hooksett, NH 03106   \$482K
4 Derry, NH 03038   \$447K	9 N. Attleboro, MA 02760   \$587K
5 Windham, ME 04062   \$505K	10 Auburn, ME 04210   \$267K

REALTOR.COM

### HOMEBUYING HOTSPOTS

yahoo!  
finance

14618 BRIGHTON, NY RANKS #1 IN  
REALTOR.COM'S HOTTEST ZIP CODES



14

David Nadelle

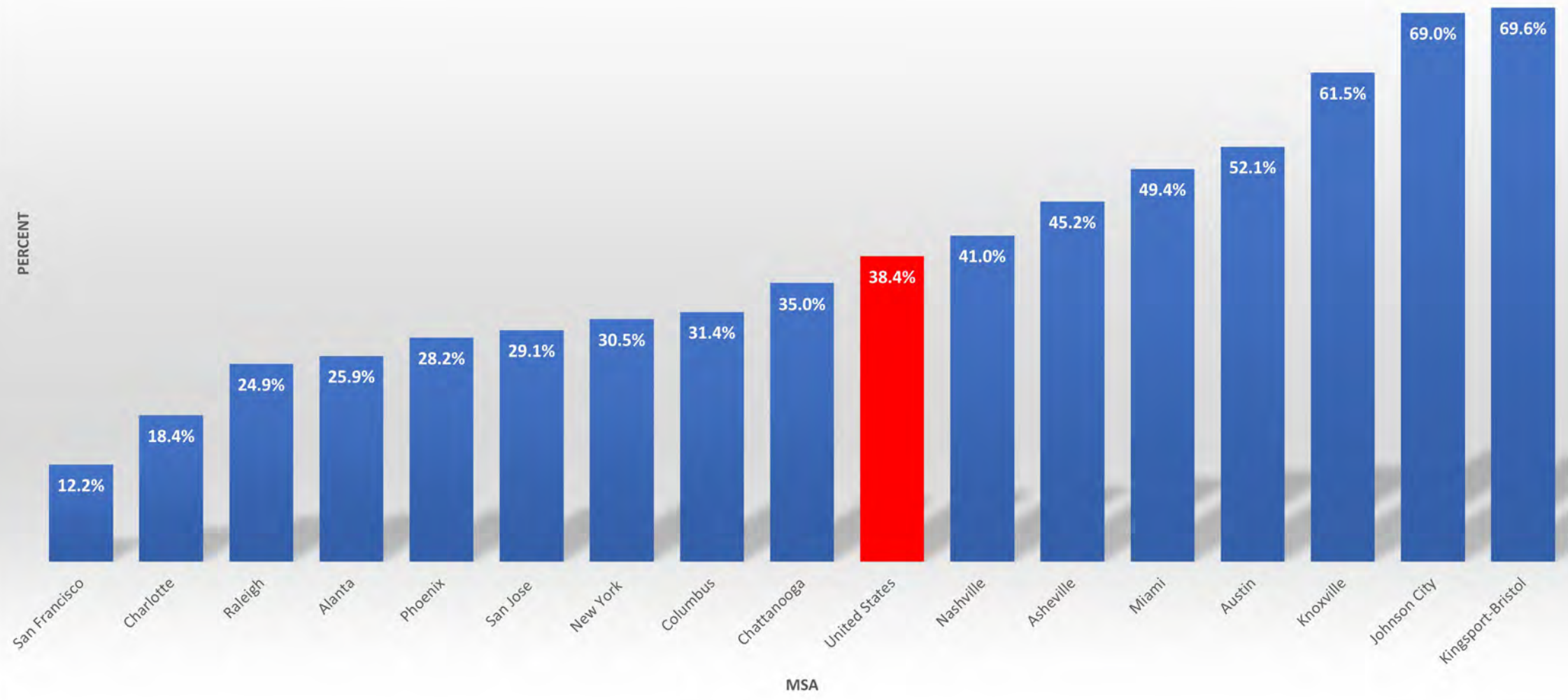
August 16, 2022 · 2 min read



Evidently, it's also all about the northeast. Eight of the top 10 most popular ZIP codes are in the U.S. northeast region, with the Midwest and South represented by one zip code each (Worthington, OH [43085] and Johnson City, TN [37604]).

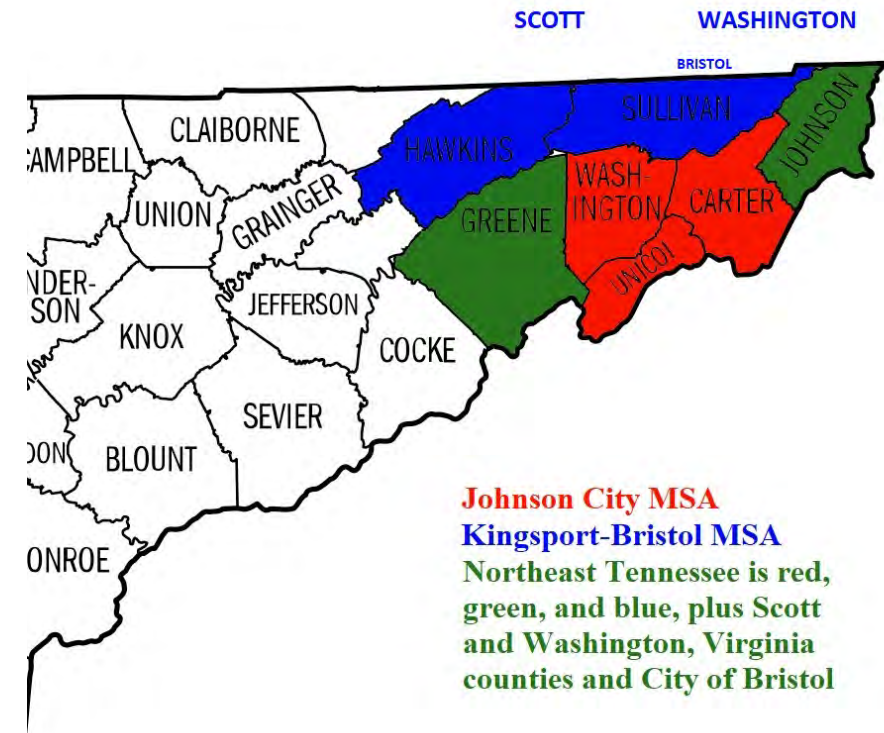


# Median Listing Price: Percentage Change, Dec 2019 - Feb 2023 by MSA

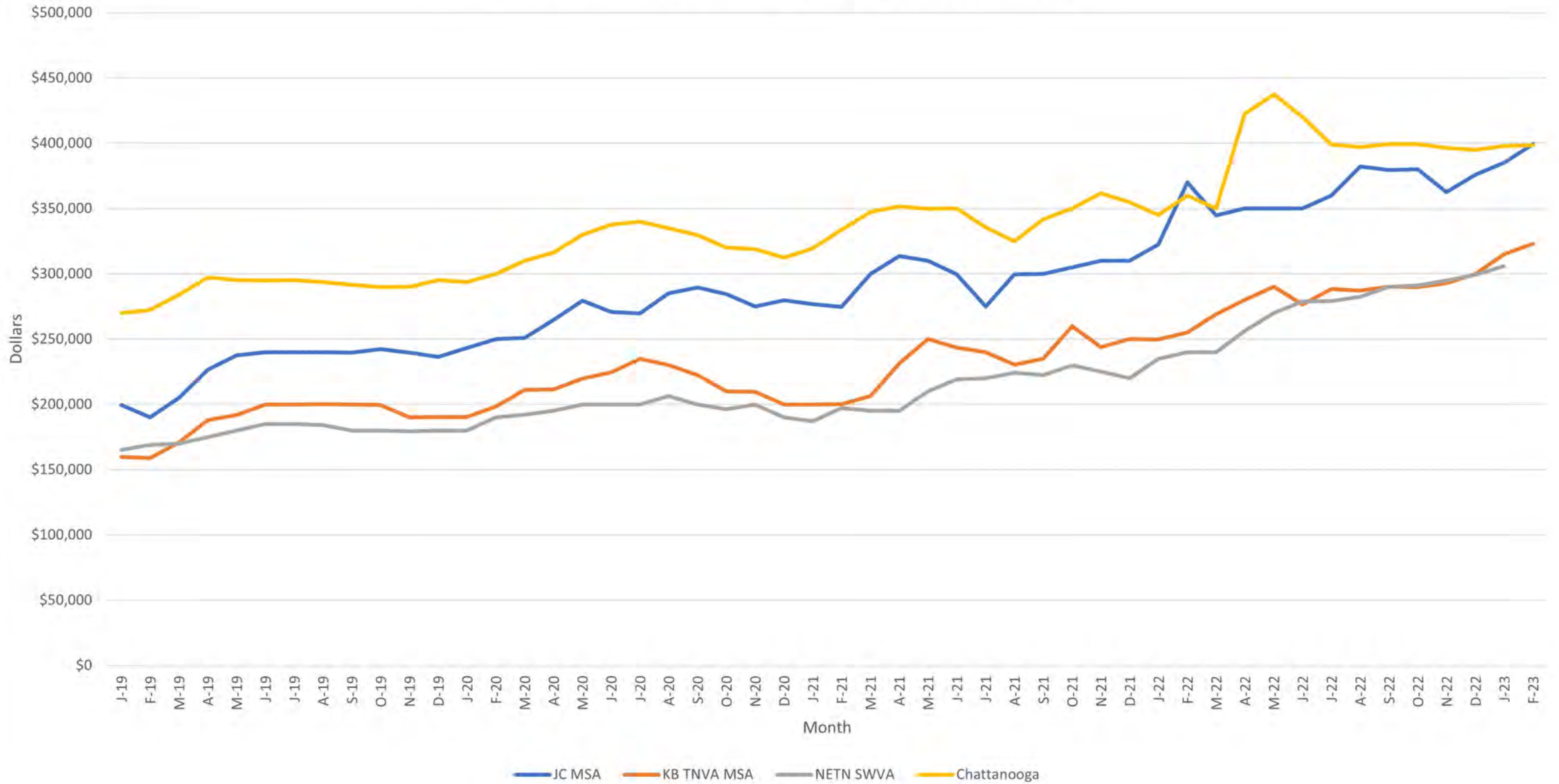


# Median Listing Price: Jan 2019 to Feb 2023

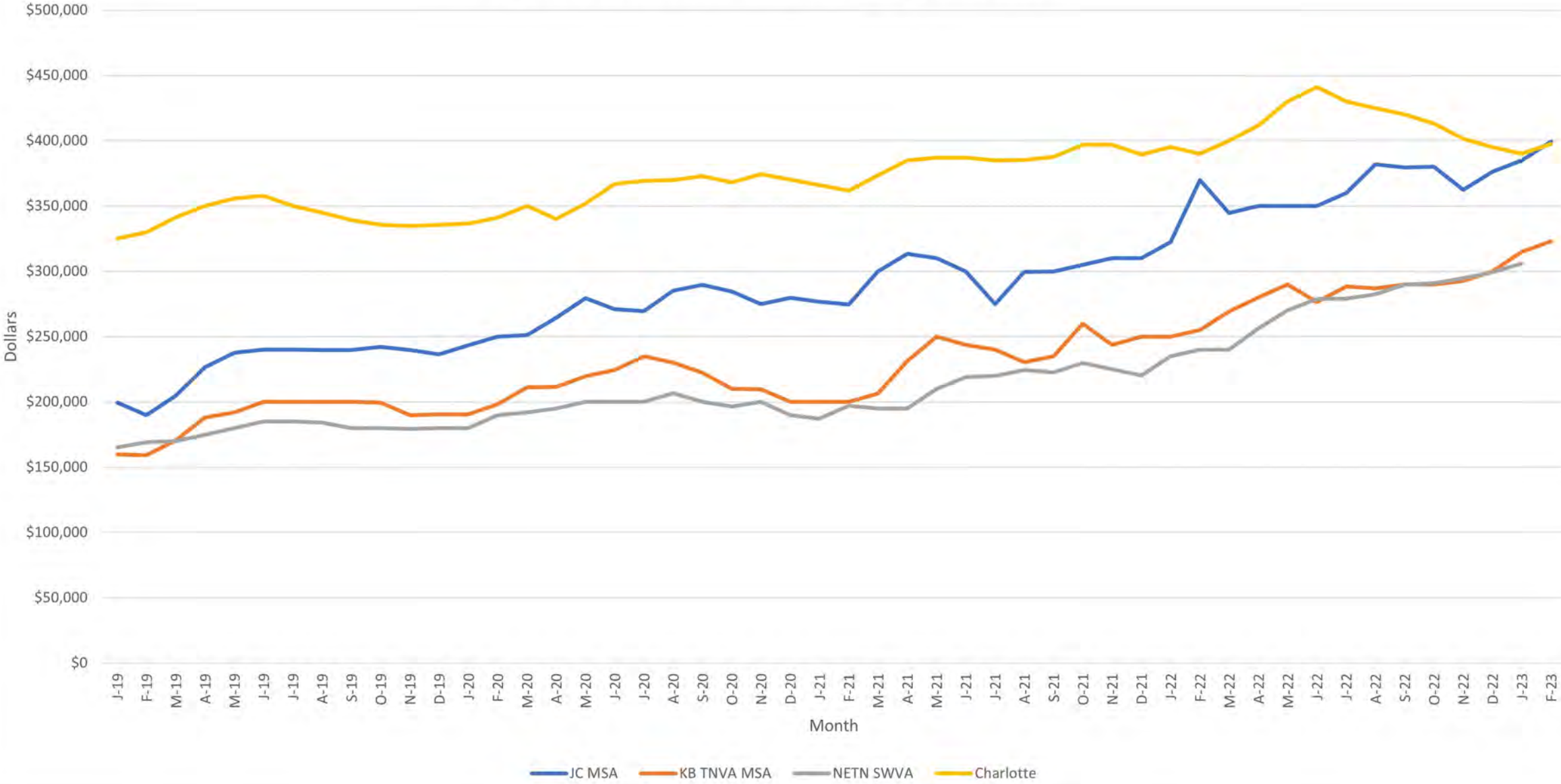
- **The price of housing in this area has doubled in only 4 years**, far faster than wages. Most of this increase occurred in the Covid era
- **Kingsport-Bristol MSA up 97%** from \$159,600 to \$314,950
- **Johnson City MSA up 93%** from \$199,425 to \$385,000
- **Northeast Tennessee up 85%** from \$165,000 to \$305,955
- **Knoxville MSA up 71%** from \$267,000 to \$457,116
- **United States up 43%**, from \$289,700 to \$414,950
- **Data sources throughout: Don Fenley of Northeast Tennessee Association of Realtors; The Federal Reserve Bank of St Louis; WJHL**



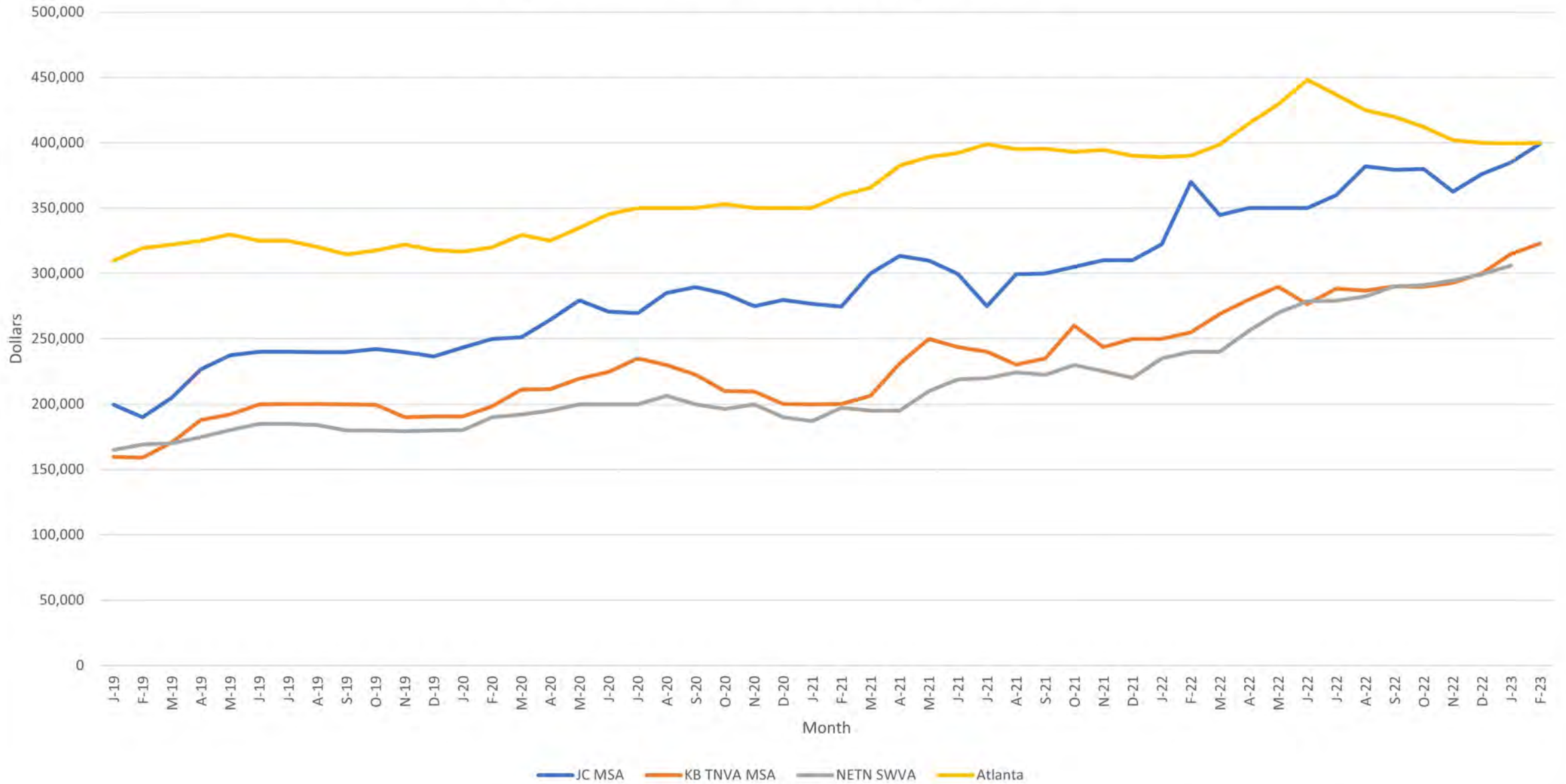
Regional MSAs and Northeast TN / VA Region vs Chattanooga



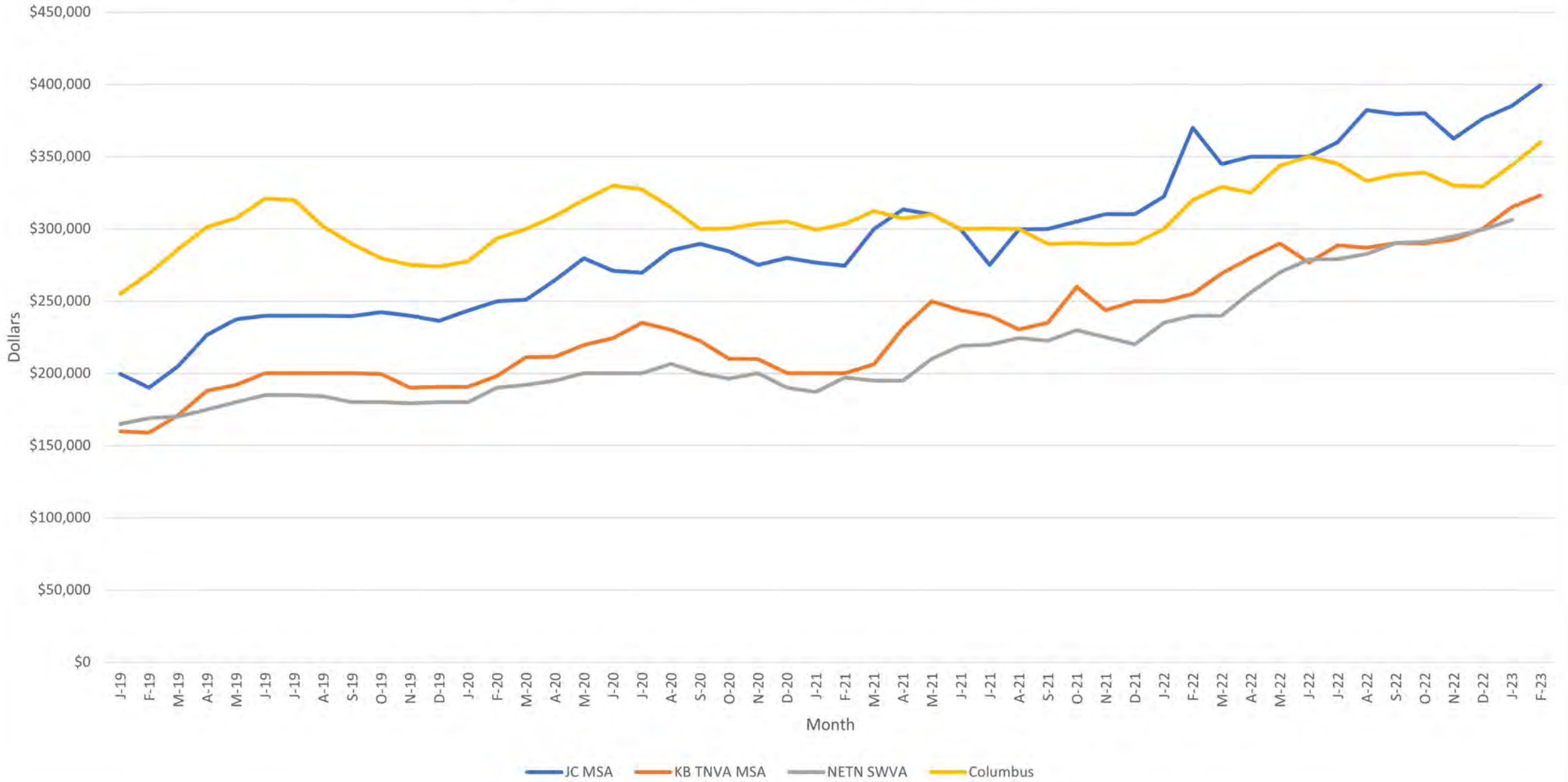
Regional MSAs and Northeast TN / VA Region vs Charlotte



Regional MSAs and Northeast TN / VA Region vs Atlanta

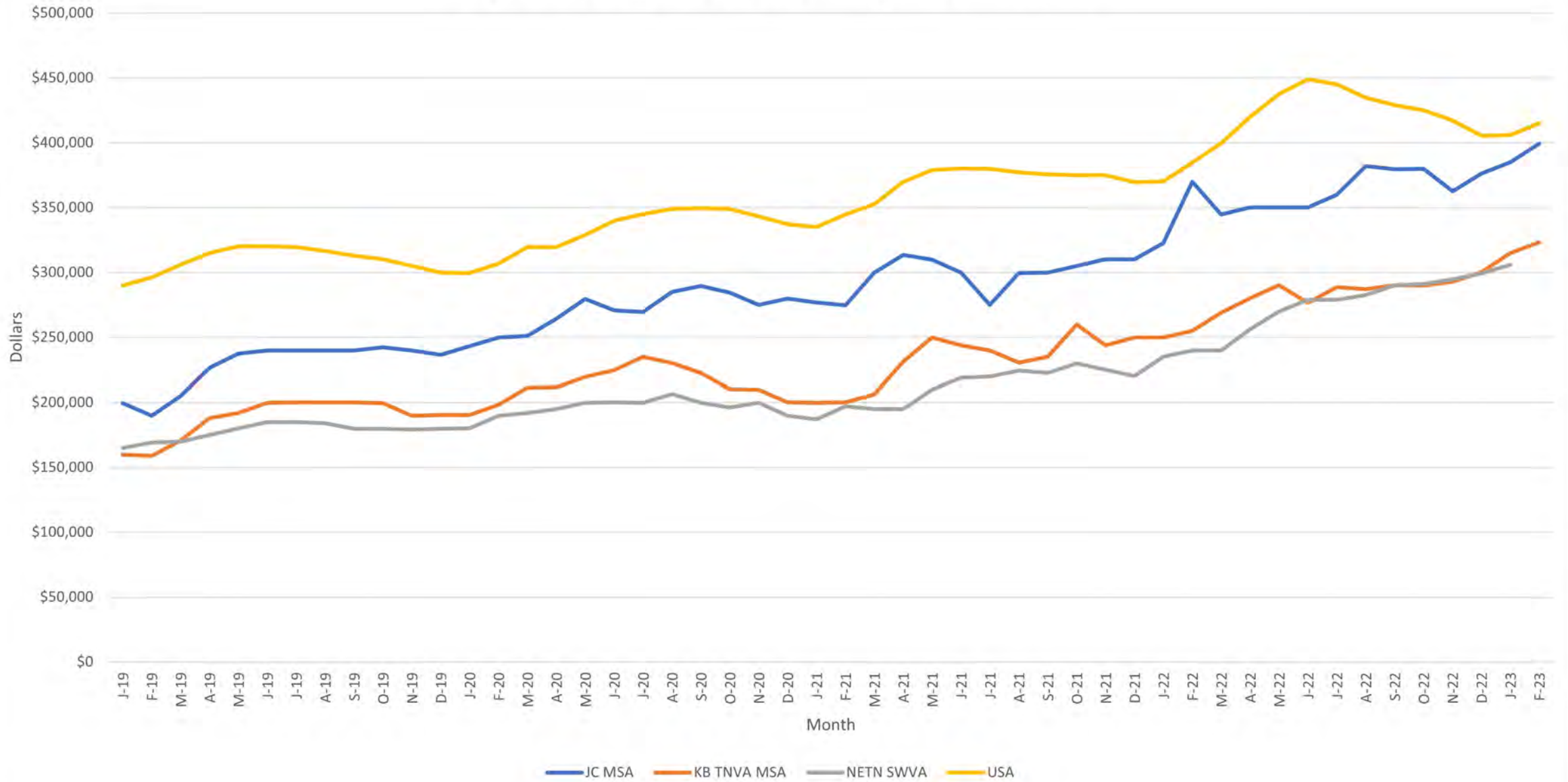


Regional MSAs and Northeast TN / VA Region vs Columbus





Regional MSAs and Northeast TN / VA Region vs United States



Johnson City, TN 37604

3 beds 2 baths 1,304 SF • #9949146

\$299,900



Bairvette Ave-5

1 / 46

Jonesborough, TN 37659

3 beds 2 baths 1,514 SF • #9948575

\$299,900



DSC\_0019\_20\_21\_22\_23\_24

1 / 33

Elizabethton, TN 37643

3 beds 2 baths 1,384 SF • #9948209

\$299,000



001 (1)

1 / 24

Johnson City, TN 37615

3 beds 3 baths 1,418 SF • #9949282

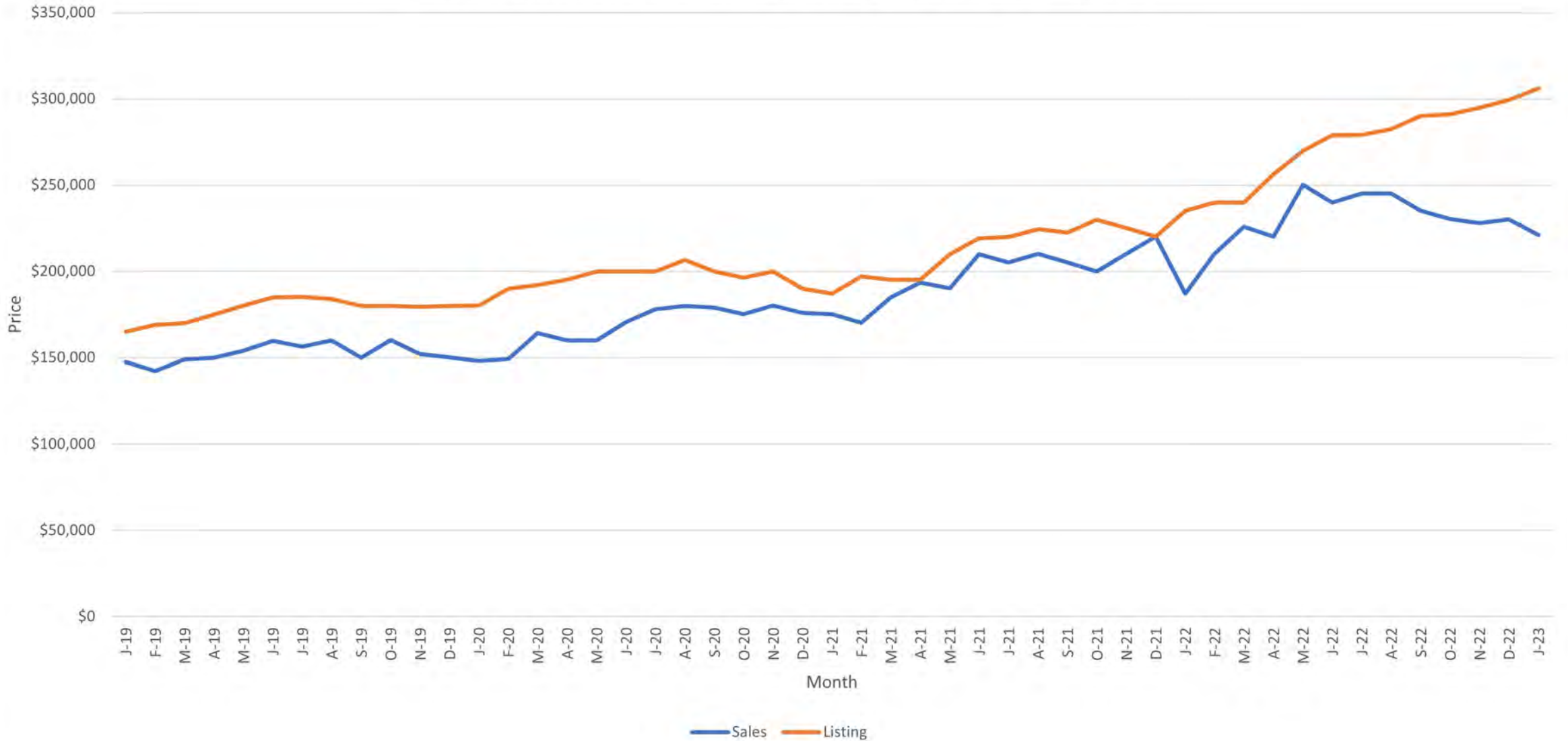
\$257,908.50



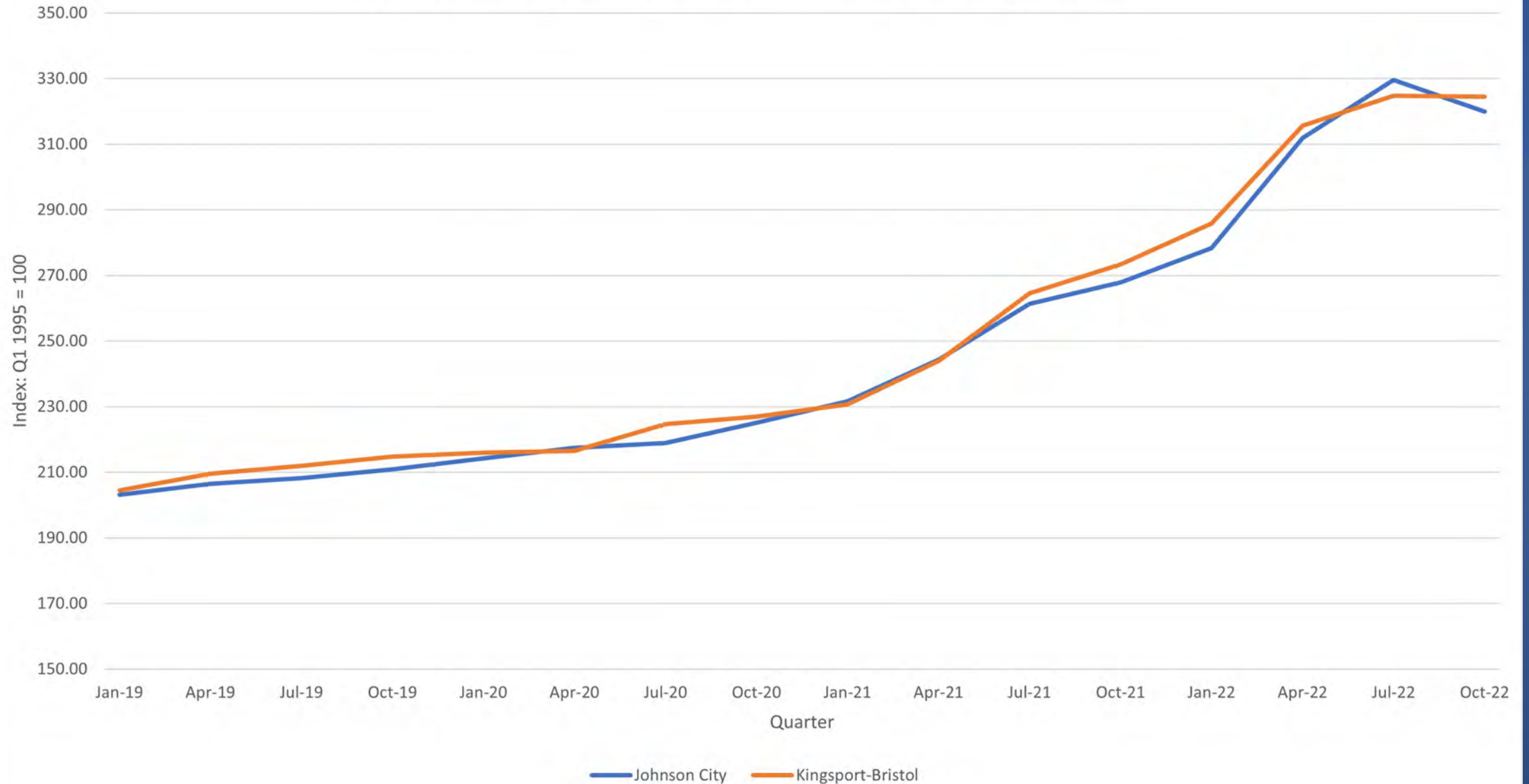
Pearson A-5 Ext. Stone, Board & Batten &

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Northeast Tennessee Median Listing Price vs Sales Price 2019 - Present



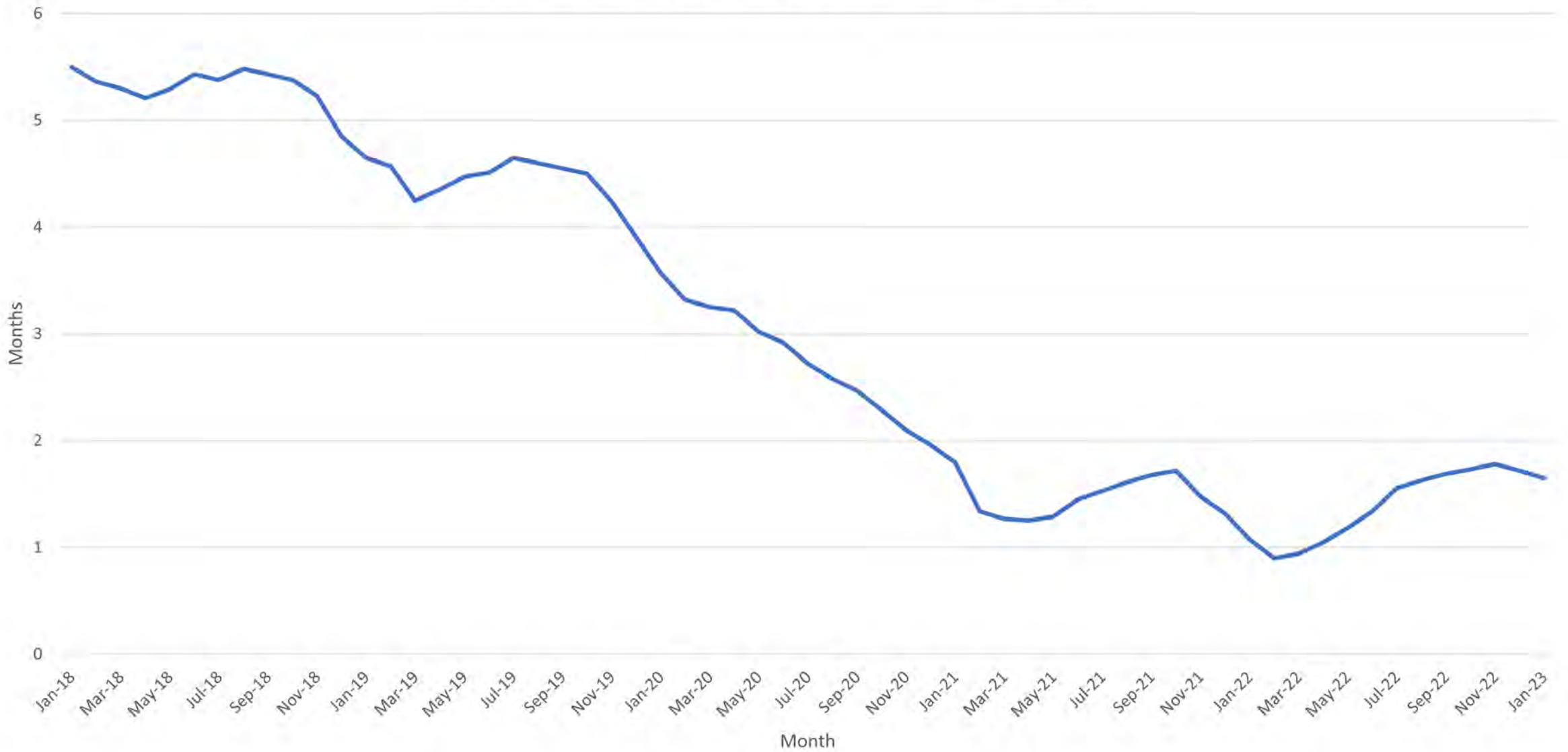
## Federal Housing Finance Agency All-Transactions House Price Index



Housing Inventory: Active Listing Count in Johnson City and Kingsport-Bristol MSAs, 2016 - Present



Northeast Tennessee: Months of Inventory 2018 - Present



# Local Rents Have Increased 50%

- As of August 2022, **“rent in the Tri-Cities is now 50 percent higher than before the pandemic.”**
- “The local multi-family vacancy rate is lower than the national average, and the second lowest in East Tennessee.”
- “Everyone’s rent is going up. People are trying to find cheaper places to live,” [Briar] Worley said. “There aren’t any cheaper places to live.”
- “Don Fenley, a local housing market expert, does not expect rent to come down anytime soon. He said outside investors are buying up property and raising prices. “As long as the demand is there, the landlords and the investors are going to look at maximizing their profits,” Fenley said.”
- “[Rick] Chantry said more housing is coming to the Tri-Cities, but it’s not affordable housing. He said **home builders are still dealing with high supply costs, so higher-priced homes make more financial sense to build than affordable housing.**” [WJHL](#)
- **“‘We’re overwhelmed’— housing advocates say a growing number of renters are struggling in southwest Va.”** [WVTF](#)



SHARE



JOHNSON CITY, Tenn. (WJHL) – New data from the Northeast Tennessee Association of Realtors shows that rent in the Tri-Cities is now 50 percent higher than before the pandemic.

# What is Considered Affordable in Johnson City?

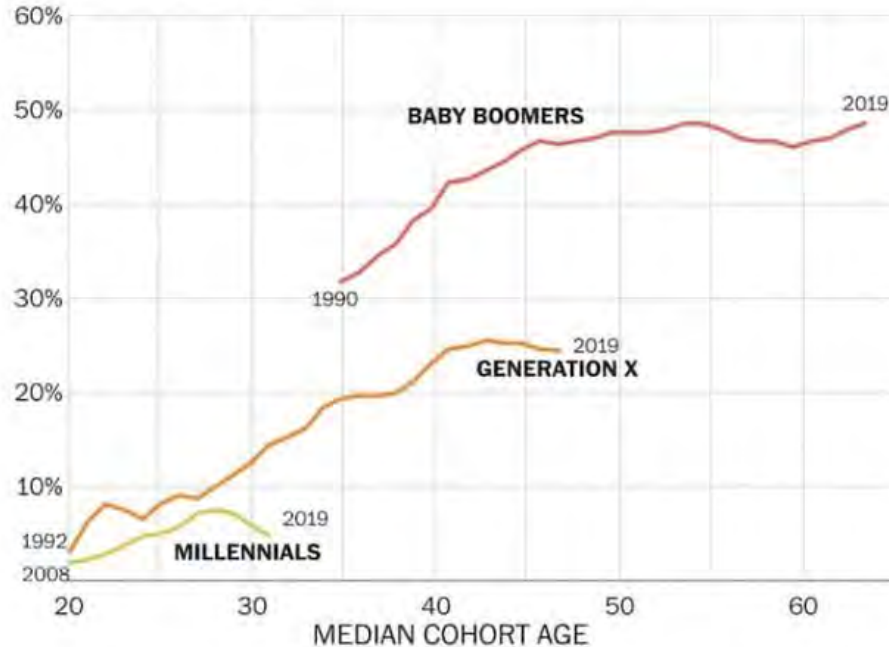
- Rule of thumb is to spend no more than 3x of one's annual income on a mortgage.
- For the median household income in JC (\$50,000), this is \$150,000.
- Rule of thumb is for monthly mortgage payment to be less than 30% of monthly gross income
- For the median household income in Johnson City (\$4,200/month), this is a \$1,250 monthly payment. At 6.29%, this is about \$210,000 with 20% down, or \$180,000 with 5% down
- Median list price is \$385,000 or 7.7x the median household income of Johnson City, up from a low of \$179,900 in December 2016
- **Household income of over \$120,000 now needed to buy the typical listed home in Johnson City**
- JC Poverty Rate 21.6%: [Census](#)
- As of Q3 2022, the **income** needed to buy a median-priced home in the US increased by \$40,000—to **\$88,300**—since 2019. [NAR](#)
- Share of first-time home buyers dropped to all-time low in 2022, and average age hit an all-time high of **36**, up from 33 in 2021 and 29 in the 1980s. [NAR](#)
- **Affordable housing has disappeared in Johnson City; Almost no starter homes in the area.**
- **“We basically decided the new starter home’s going to be an apartment.”** – [Jason Day](#), building 203 apartment units in Jonesborough and Gray
- The median household income in Johnson City is \$47,242 in 2021; \$43,025 in Kingsport.



# The Tipping Point

## The millennial homeownership slump

Share of American real estate owned by each generation, by median cohort age

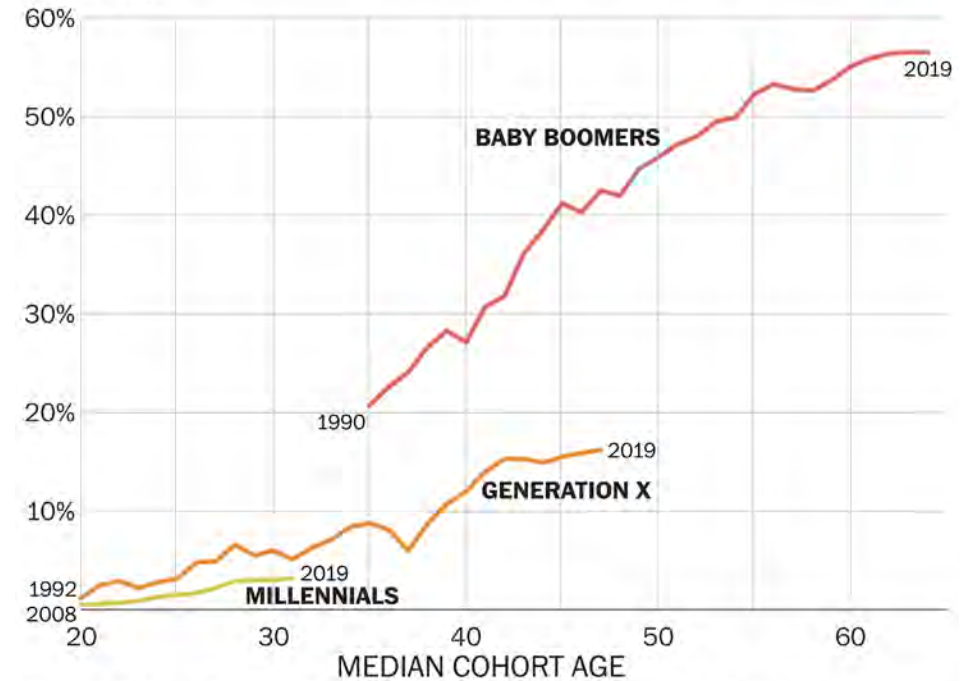


Source: Federal Reserve Distributional Accounts

THE WASHINGTON POST

## Intergenerational wealth

Share of national wealth owned by each generation, by median cohort age



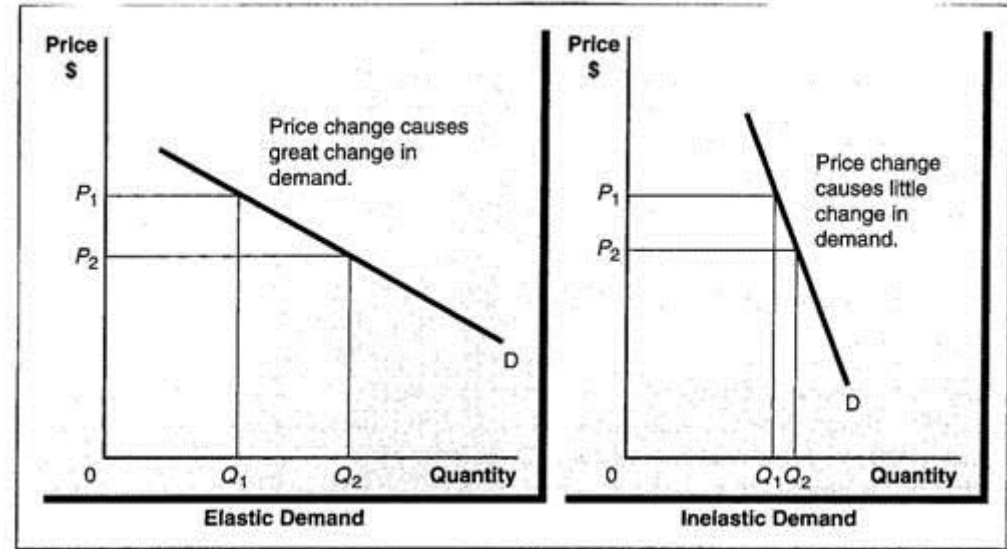
Source: Federal Reserve Distributional Accounts

Chart adapted from Gray Kimbrough

THE WASHINGTON POST

# Supply and Demand of Homes

- What makes prices rise? Demand increases or supply decreases or both.
- **Demand** for housing is **inelastic**; people must live somewhere
- Therefore, *a small change in supply can have a large effect on price*
- **Supply** is also **inelastic** as it takes a long time to build a house; in the short run the supply of housing is perfectly inelastic
- Reduction in housing units or increase in number of households can produce large increases in housing prices and consumers must absorb the costs, with a larger share of their budgets going to housing
- However, the reverse is also true: *a relatively small increase in the supply of housing can produce large decreases in prices ceteris paribus*



# Causes of Increasing Demand

- Population Growth
  - **Fertility:** Below replacement level, 1.64 in 2020.
  - **Immigration:** 5 million border encounters since Pres. Biden inauguration according to [CBP](#)
- New Household Formation
  - **Adult Children:** Millennials moving out of their parents' house
  - **Single Adults:** Couples once under one roof now have separate homes

POLITICO

NEW YORK

## Eric Adams pressures Biden to address migrant crisis as New York costs soar

The New York mayor said the White House must meet the “immediate needs” of cities dealing with asylum seekers.

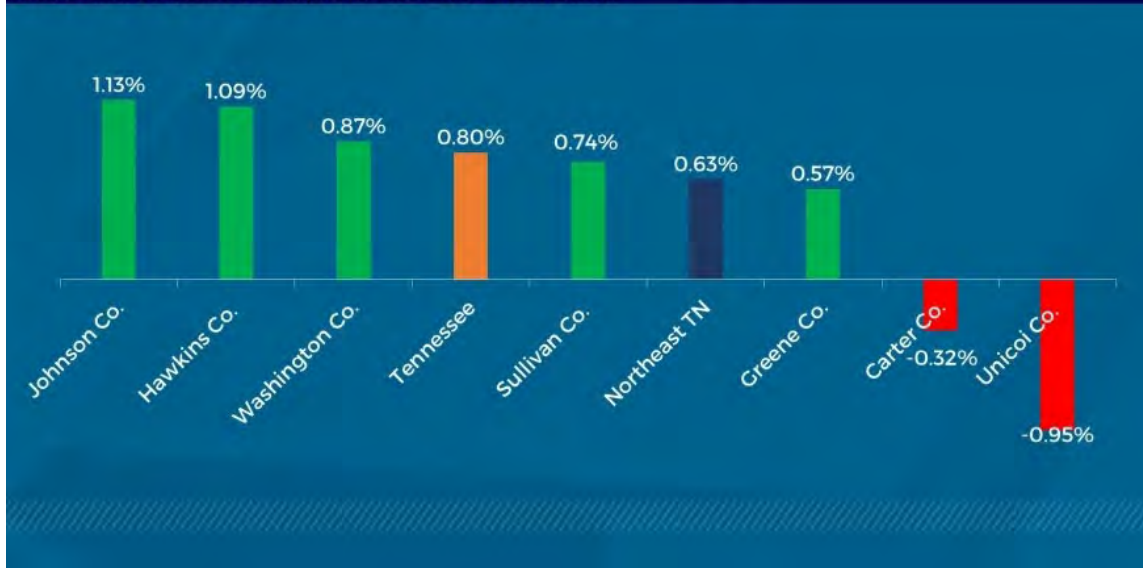


By JULIA MARSH  
01/18/2023 12:50 PM EST



## % POPULATION GROWTH 2020 TO 2021

Sources: U.S. Census Bureau/Tennessee State Data Center



## ANNUAL NORTHEAST TENNESSEE POPULATION GROWTH

Source: U.S. Census Bureau



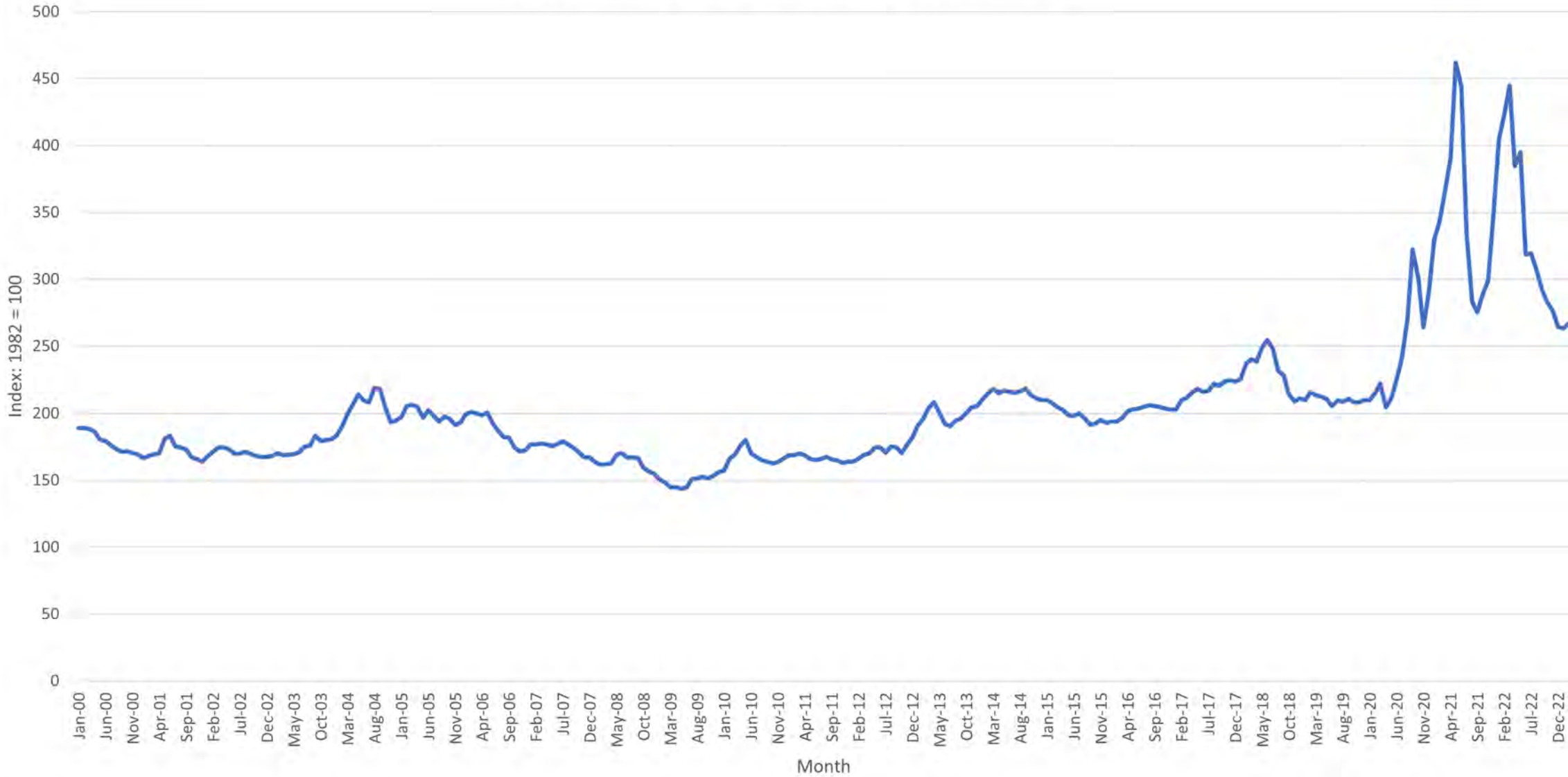
# Population Change

- “Northeast Tennessee’s seven counties added an estimated 3,203 people to its population in 2021... The nine Southwest Virginia counties in the News Channel 11 viewing area, meanwhile, lost more than 2,500 to continue a trend of steadily declining population.” [Source](#) *Graphs by WJHL*

# Causes of Decreasing Supply

- Zoning Ordinances
- Subdivision Regulations
- Building Codes
- Inclusionary Zoning
- Property Taxes
- Tariffs on Lumber and Building Materials
- SALT and Mortgage Interest Tax Deductions
- Rent Control / Eviction Moratoriums
- Central Bank Interest Rate Manipulation
- Lockdown-Induced Supply Chain Constraints
- Labor Shortages
- Increased Cost of Materials
- Institutional Buyers and Flippers
- Short-Term Rentals and Second Homes
- Unoccupied Investments
- [NAHB](#): Federal, state, and local regulations add 40% to the cost of multifamily development. These restrictions force construction companies to build fewer, larger, more expensive homes than the free market would dictate.
- Short term rentals: 1000 Airbnbs in Northeast Tennessee. Nationwide: 4,000,000 Airbnb hosts
- Second homes: 7.15 million second homes in the US, 5.11% of the housing stock in 2020. [Source](#)
- Low interest rates and high liquidity motivated investors and landlords; subsequent high rates locked in owners who would like to move, keeping inventories low
- Increasing Supply:
- US construction pipeline: 1.60 million starts in 2021; 1.55 million starts in 2022 (1.01 million single family homes); 1.5 million starts in 2023?
- As of January, 769,000 single family homes are under construction in the US.
- Lumber prices down

# Producer Price Index: Lumber and Wood Products



# The Federal Reserve Bank

- The Federal Reserve has engineered two housing crises in only two decades
- The first bubble and crash destroyed housing construction for a decade, contributing to today's housing shortage
- Beginning in 2020, the Fed reduced interest rates and bought trillions of dollars of MBSs, following the playbook of the Fed during the Great Recession for no good reason
- Historical low interest rates and trillions of dollars of easy money flooded the housing market with buyers of single-family homes as investments, second homes, or rental properties
- Even if the housing market was in balance, thanks to the Fed's price inflation, nominal prices would still be up about 15%, adding \$50,000 to the typical home price in only 2 years



### Federal Reserve Holdings: Mortgage-Backed Securities

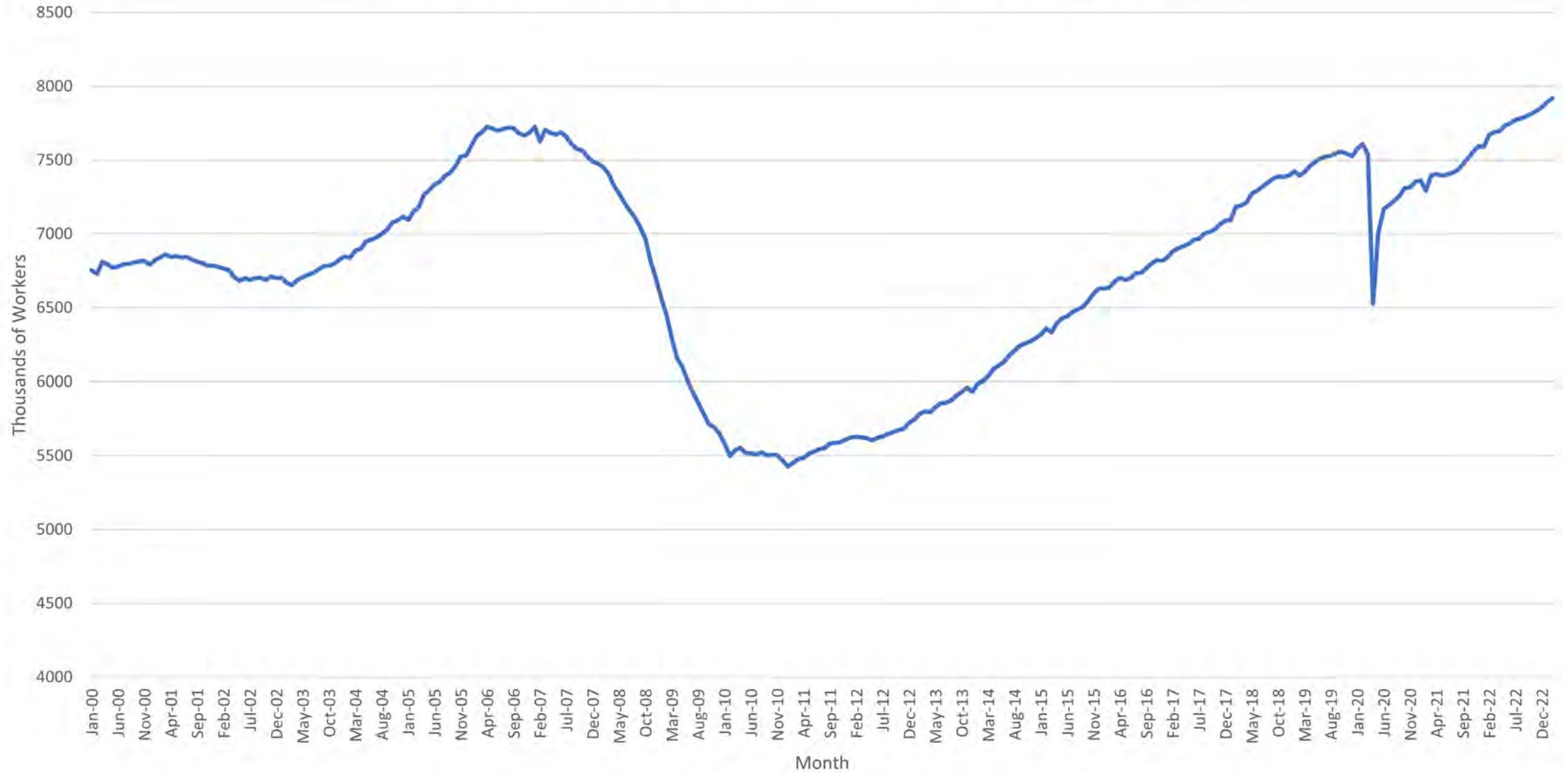




30-Year Fixed Rate Mortgage Average, United States, 1971- Present



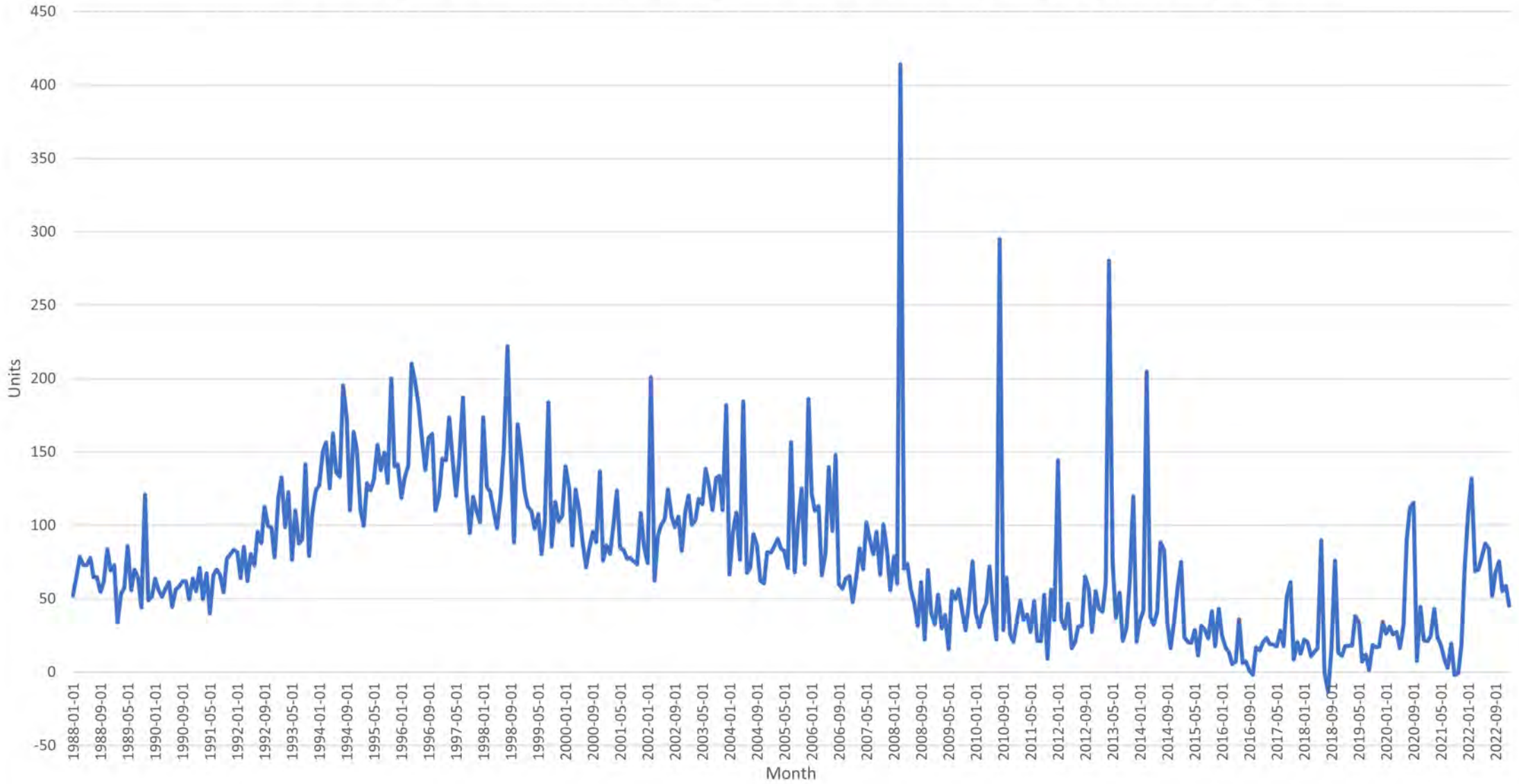
Number of Employees in Construction, United States, 2000 - Present



### New Privately-Owned Housing Units Started, Monthly, Annualized

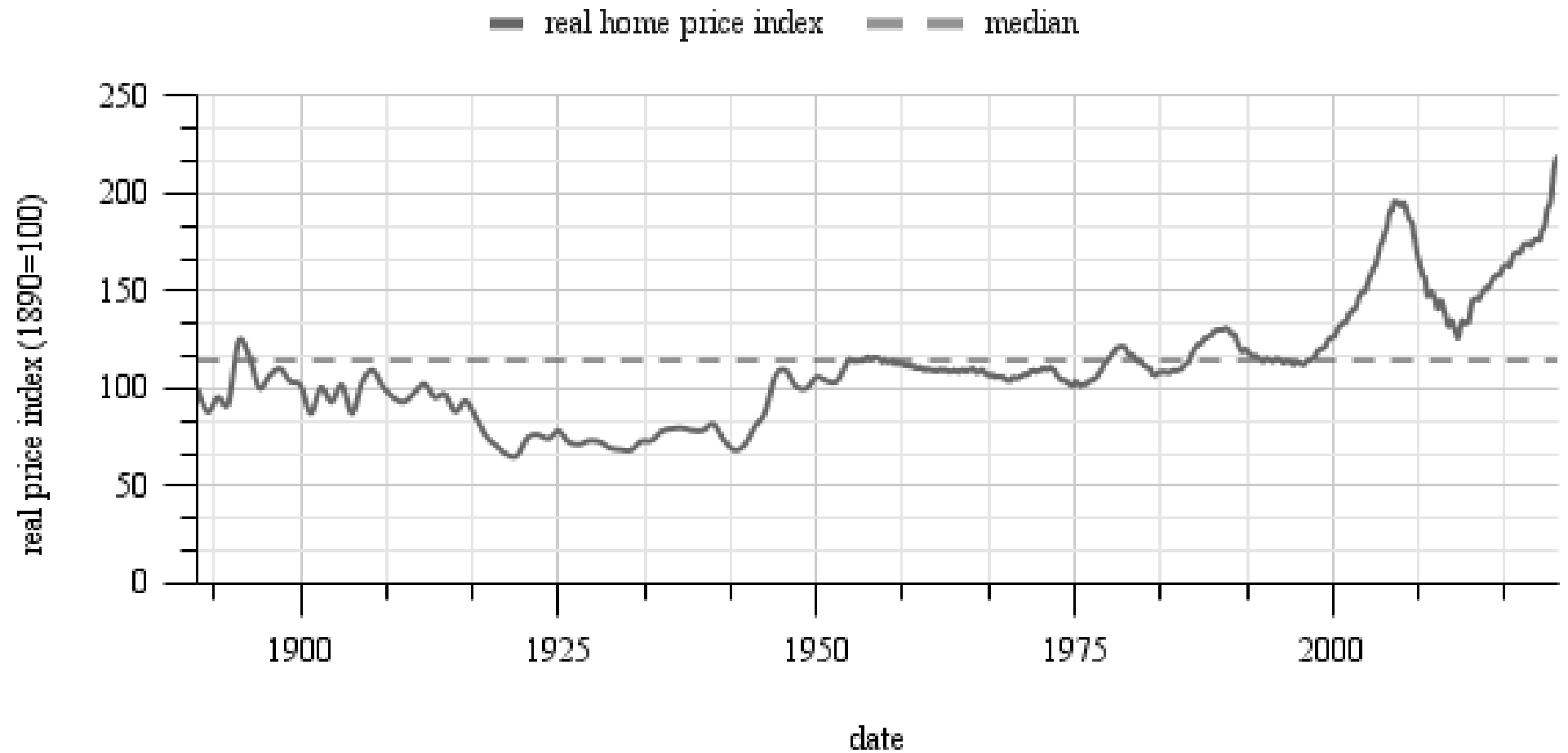


New Private Housing Units Authorized by Building Permits for Johnson City, TN (MSA) Seasonally Adjusted



# U.S. real house price index

source: Robert Shiller

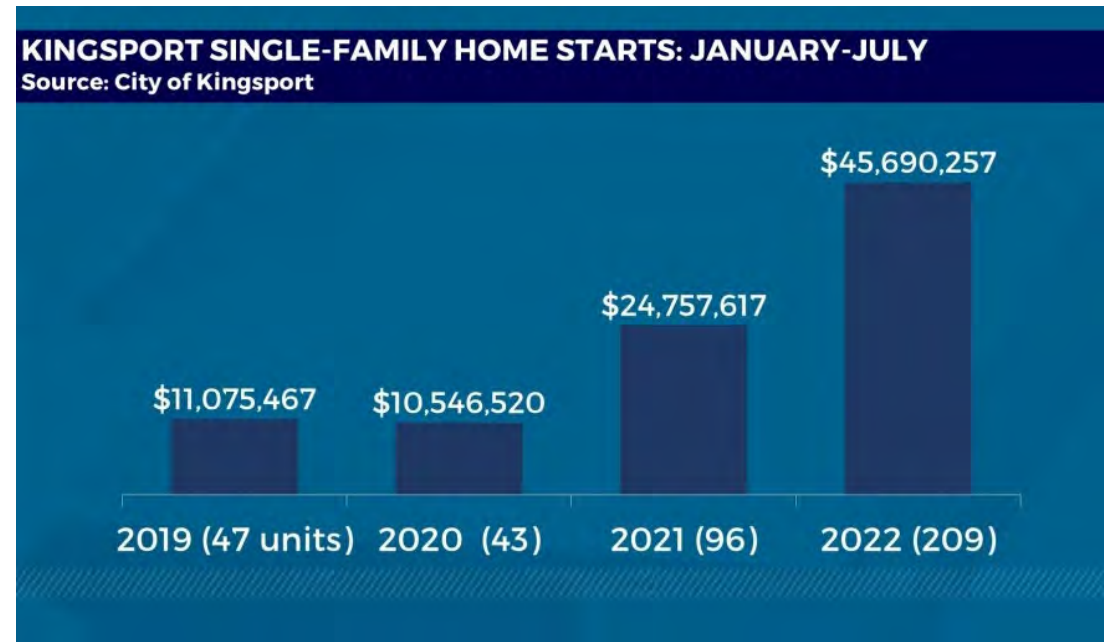


# Solution: Increase the Housing Supply

- **Northeast Tennessee housing prices are far out of line with fundamentals**
- New people have moved in as supply has remained fixed, and 1,000 homes have left the market to be converted to short-term hotels.
- The main solution is to increase supply, something the Fed is actively undermining
- It takes a long time for a housing project to break ground, impeded by a burdensome local bureaucratic process
- The objective of local authorities should be to return median housing prices to 3x local household incomes
- **Local incomes can only support a median price under \$200,000**
- **This will require over 5,000 new units throughout Northeast Tennessee**
- As prices fall, flipping activity will recede. Some Airbnb units may also sell if the market is oversaturated

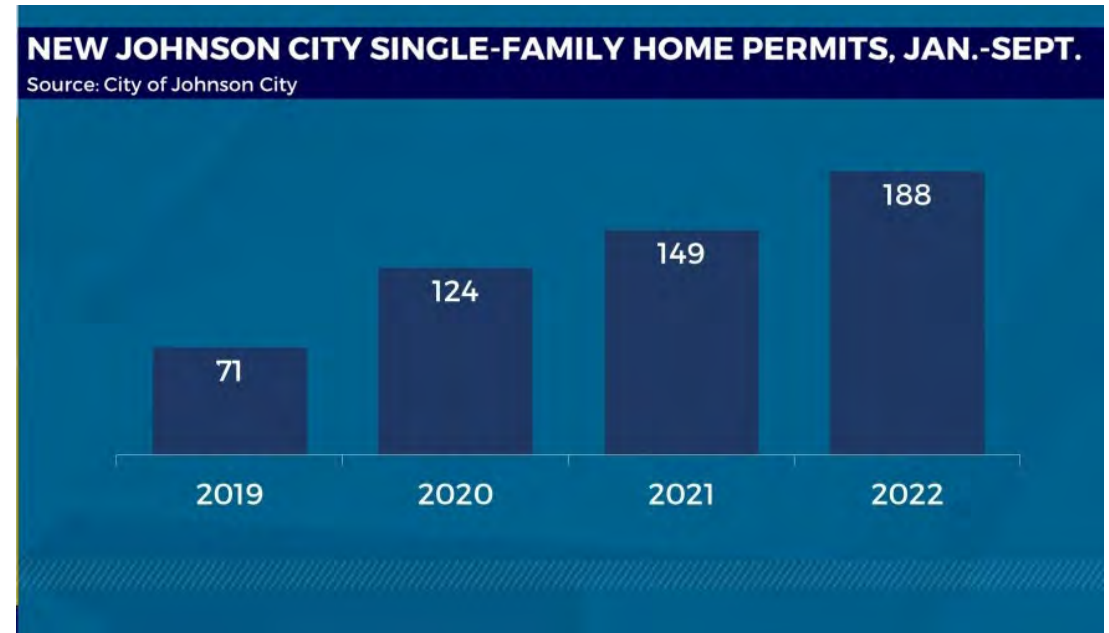
# Growth in Kingsport

- “Nearly 2,000 families from outside the region have moved to Kingsport since March 2020... there are more than 2,500 housing units “in some stage of development.” [Source](#)
- Top reasons for moving included work, retirement, and remote work. At the same time, many retirees are staying here
- “[Builders] see a need for about another 3,000-5,000 homes in the Tri-Cities during the next three to five years and its their goal to dominate that market.” – Don Fenley
- “Fenley said three counties in the region are equal to or above the state growth rate over the past 18 months, while Sullivan County grew as much from 2020 to 2021 (by more than 1,100) than it did the entire previous decade. That contrasts with the 2010-2020 period when several Northeast Tennessee counties lost population and only Washington County showed moderate growth.” [Source](#) *Graph by WJHL*



# Johnson City Growth

- “Johnson City will need to manage the kind of growth it hasn’t experienced for a long time in ways that minimize negative impacts. [City Commissioner John ] Hunter said that’s a reason city leaders are paying for an independent growth management study.”
- “Once we have that we can create a well-thought-out strategic plan for the implementation of the infrastructure projects.”
- [Source: WJHL](#) *Graph by WJHL*





# Building in Kingsport and Bristol

LOCAL

## Bristol, TN City Council approves further expansion Fox Meadows project

by: [Katherine Simpson](#)

Posted: Mar 7, 2023 / 11:35 PM EST

Updated: Mar 7, 2023 / 11:35 PM EST

SHARE    

BRISTOL, Tenn. (WJHL) — The Bristol, Tennessee City Council approved a further annexation for the Fox Meadows development Tuesday.

The new land will allow builders to add two additional homes to the project, which was previously set to add 180 new homes to the city's housing supply.

LOCAL

## Kingsport BMA moves forward with proposed Shipp Springs annexation

by: [Slater Teague](#)

Posted: Mar 7, 2023 / 10:39 PM EST

Updated: Mar 7, 2023 / 10:39 PM EST



Proposed Shipp Springs

SHARE    

KINGSPORT, Tenn. (WJHL) — Kingsport city leaders are moving forward with a proposed annexation that could pave the way for hundreds of new homes.

The Board of Mayor and Aldermen unanimously approved the “Shipp Springs annexation” on its first reading Tuesday night.

[| Oversized loads are for Eastman's new acetylated wood facility >](#)

The owner of a 71-acre property off of Shipp Springs Road requested that the city annex and rezone the property to allow for the development of 581 residential units, including 281 single-family units and 300 apartments, according to the city.

# Johnson City Residential Development Pipeline

- **Under Construction:** 77 Single Family Homes
- **Construction Plans Approved:** 124 Single Family Homes, 29 Townhomes, 38 Apartments
- **Plans Under Review:** 188 Townhomes
- **Plans Submitted:** 44 Townhomes
- **Awaiting Plans:** 38 Townhomes
- **Rezoning App:** 16 Townhomes
- **Potential Annexation:** 500 Single Family Homes in Gray
- *Other potential annexations?*
- Clearwater Springs, 77 Units
- Indian Ridge Road, 124 Units
- The Retreat 4: 20 Units
- Landy-Midway: 38 Units
- Hubbard: 44 Units
- Myers-Cherokee: 16 Units
- N North St: 60 Units
- Suncrest: 108 Units
- Landy-Midway: 38 Units
- Tapestry: 145 Units (*Subsidized-Replacing John Sevier Center*)

# In Johnson City

## Annexation Delays

- **Johnson City Keebler annexation hits another hurdle — new zoning regs scrapped,** [WJHL](#)
- Development that would bring 500 units to Johnson City delayed for at least two more months while the commission ponders lot sizes and green space requirements.
- **“The lot averaging and the implementation of open space,** staff believes that those would be good things for not just that development but all developments going forward,” [Will] Righter said.”
- These types of mandates only make homes even more expensive.
- “The city commission is required to approve the annexation three times for it to take effect. However, during the third and final reading on Thursday, commissioners decided to send it back [to the planning commission].” [WCYB](#)
- “Johnson City planning commission to vote on open space requirements for new developments” “The ordinance would require at least 15 percent open space in most new residential developments.” [WCYB](#)

## Paying Remote Workers to Move Here

- **Johnson City campaign encourages remote worker growth in region,** [WJHL](#)
- **Johnson City Remote Work Campaign:** “In 2021, Johnson City launched a program in an effort to convince remote workers to move to Johnson City and Washington County. Now, several workers have made that leap.”
- “City commissioners also heard a quarterly update on a campaign designed to attract remote workers to the region. **Johnson City has invested \$300,000 in the program,** and the initiative has so far attracted 116 eligible applicants of which 13 have been accepted.” [Three moved](#) as of March 2022.
- **“The program offers remote workers up to \$5,000 to move to Johnson City.** The cash value depends on the applicant’s income level, and on average, organizers estimate accepted applicants earn more than \$100,000 a year. Organizers, which include the Northeast Tennessee Regional Economic Partnership, the Northeast Tennessee Tourism Association and the Johnson City Convention and Visitors Bureau, have marketed the program in phases.”
- “Phase four of the advertising push will begin in either late March or early April... Organizers hope to recruit 20 to 25 people in the first year.” [Johnson City Press](#), Jan 20, 2022. *Website is still active*

# Not In My Backyard

- Johnson City: **Neighbors of proposed Johnson City subdivision win victory at planning commission, [WJHL](#). Plan for 221 townhomes killed by neighbors who own \$600k to \$700k houses.** “About eight residents voiced concerns dominated by traffic worries but with numerous nods to the area’s relatively pastoral setting and **the likely difference in the new homes’ density and character**... Neighbors of a 58-acre piece of farmland won a victory Tuesday when the Johnson City Regional Planning Commission recommended the most restrictive form of residential zoning (R-2A) among three options that were being considered...” “The reason Allied wasn’t proposing an entire subdivision of larger or higher-priced homes, McKenzie said, “is because of the budget of folks that actually have to live in these properties. “Not everyone can afford \$700,000, so we look at the market conditions” “McKenzie said the company is likely to return to the drawing board and see if it can devise an R-2A concept plan that works financially for the land, the market and the company.”
- Greenville: **‘Keeping Greenville Greenville’: Leaders strive to keep charm as quick growth arrives, [WJHL](#).** “The growth is good. We want the growth. We welcome the growth, but we don’t want to lose that small town quality that made Greenville so attractive in the first place.”
- Johnson City: **Keebler annexation vote raises concern, [WJHL](#). Plan for 500 units in Gray is opposed by neighbors and is now on hold.** “Some neighbors aren’t happy about Johnson City moving forward with a plan to annex and develop the vacant land beside Ridgeview Elementary... [a neighbor is] concerned about the impact the new homes will have on traffic.”
- Unicoi: **Neighbors push back on Budget Inn redevelopment, [WJHL](#).** “Many residents who live close to the Budget Inn property are not in favor of this development and Miller says they’ve expressed this at the zoning meetings.... [city officials] were really closed minded about it.”
- Johnson City: **Neighbors of new site for John Sevier residents concerned about impact, oppose rezoning, [WJHL](#).** “About 10 residents spoke up at a June 14 planning commission meeting, opposing the proposed rezoning from B-4 (planned business) to RP-5 (planned residential), with one resident saying she had a petition with 108 signatures.”
- Johnson City: **Local homeowners cite traffic, construction for opposition to Johnson City housing project, [WJHL](#).** “Rezoning of a lot on Browns Mill Road in Johnson City has attracted some backlash, with local residents citing concerns over traffic and potential safety hazards in the area.”
- Johnson City: **Rezoning proposal in Johnson City met with backlash by North Hills neighbors, [WJHL](#).** “Residents in the North Hills neighborhood of Johnson City are fighting against a proposal to create a new road that would connect part of their neighborhood to a newly proposed apartment complex near The Mall at Johnson City.... Increased traffic lowers property values... “No one thinks it’s a good idea. We all understand it is going to ruin the neighborhood and destroy the way of life we have as well as tank our property values.”
- *City regulations and ordinances have a history of being used to keep neighborhoods white, and racially-segregated neighborhoods persist as a result...*



# Ongoing Building & Potential Annexations Throughout the Region

- Weber City: Riverside: unknown # SFH and TH [WCBY](#)
- Bristol, TN: Fox Meadows: **182** units [WJHL](#)
- Kingsport: Fieldcrest: **1,050** units (400 SFH, 250 TH, 400 Apts) [WJHL](#)
- Kingsport: Shipp Springs: **581** units (281 SFH, 300 Apts) [WJHL](#)
- Johnson City: Keebler: **586** units
- “First new Erwin subdivision in 20 years near completion” **36 homes**, high \$300k to \$400k, sales begin Q2 2023 [WJHL](#)
- “2022 monster year for Kingsport new home construction” **295** SFH permits, a few dozen for sale soon [WJHL](#)
- “Jumpin’ Jonesborough: ’22 residential construction rivals area’s cities, double from year earlier” **180** residential permits by the end of November [WJHL](#)
- Johnson City: **201** SHF permits + Apts
- “Greeneville Sees 'Mind-Blowing' Amount Of Residential Development” [Greenville Sun](#)
- Bristol, TN: The Overlook, **160** homes [WCBY](#)
- Bristol, VA: The Falls, **210** Apts [WCBY](#)

# Forecasting Housing Prices

## Assumptions

- Interest rate hikes level off soon
- Inflation of 2% by end of 2024
- Supply chain constraints ease and lumber prices return to normal
- Continued construction of 1.5 million housing units per year nationwide
- Increased affordability as rates eventually fall, probably back to around 4.5% by 2025
- No bank panic or significant credit crunch in 2023

## Forecasts

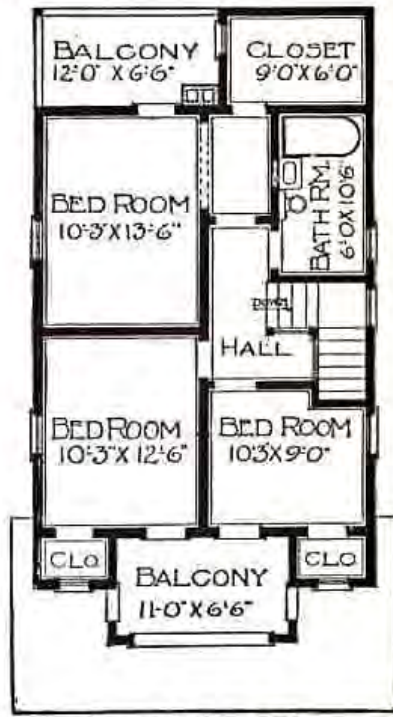
- **No crash; gradual decline in real prices as new houses are built**
- US Market will return to balance by 2028 with 6 to 7 million additional units and historically normal mortgage rates
- Northeast Tennessee: construction of perhaps five thousand units or more may bring real prices back in line with incomes by 2030
- More current homeowners will be willing to sell as rates gradually fall
- Nominal prices will remain elevated, at least 30% higher than in 2020 due to inflation
- Exploding national debt increases risk of periods of high inflation in the long run



1934 Sears Catalog (\$1,092 in 1934 = \$32,668 in 2022; doesn't include the land, additional costs)

MODERN HOME No. 264B155

**\$1,092<sup>00</sup>**



“The evils of paper money have no end.”

- THOMAS PAINE -