



2024 Housing Market Forecast

Feb. 1, 2024

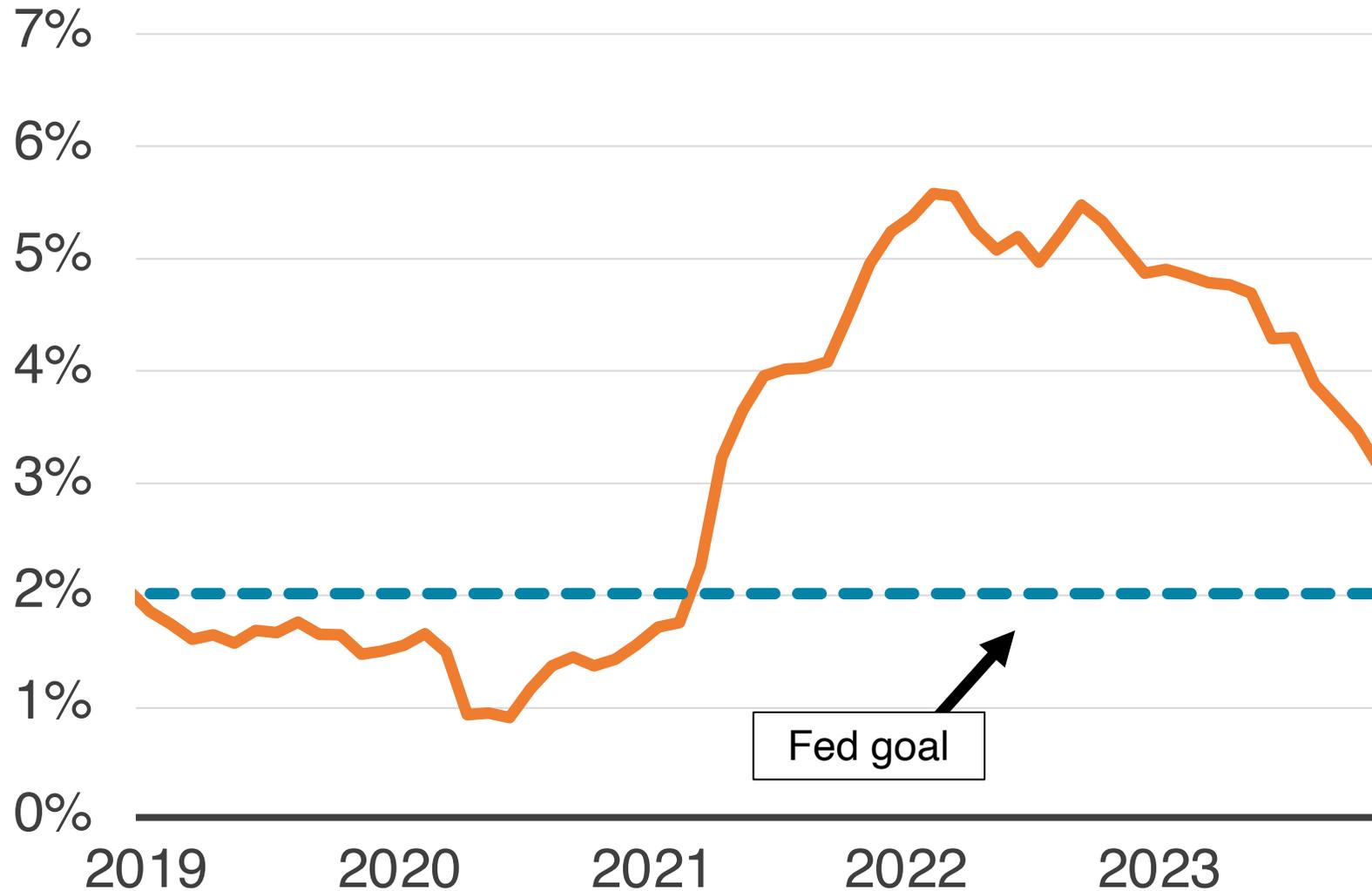


Agenda

- **Economic Environment**
- Housing Market Conditions
- Trends To Watch
- Forecast

Inflation Cooling But Still Above the Fed's 2% Target

Inflation rate (as measured by core PCE price index)



Though still above the Fed's 2% goal, inflation is poised to decline throughout 2024.

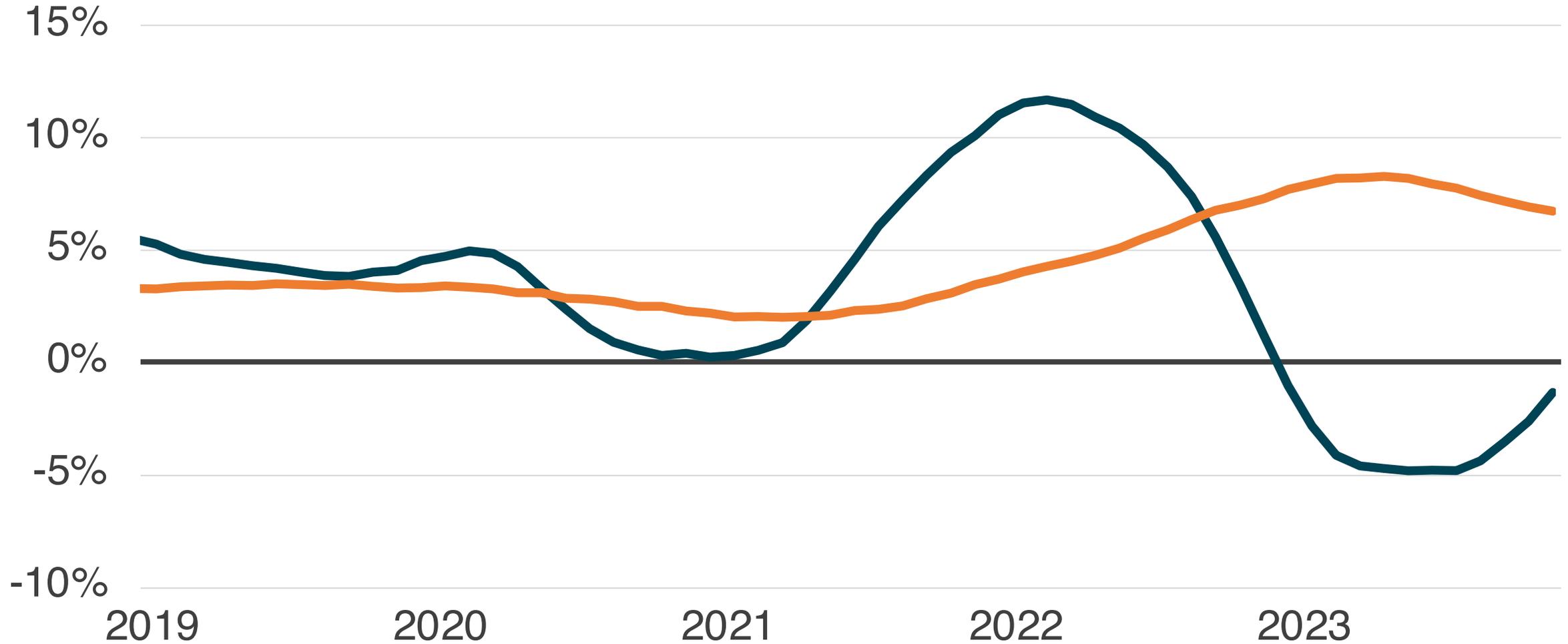
The Fed is likely done raising interest rates, but the cumulative impact of tighter monetary policy has yet to be fully realized.

Source: U.S. Bureau of Economic Analysis

Rent Growth - Still Strong or Softening?

Official vs. Unofficial Measures of Rent Inflation

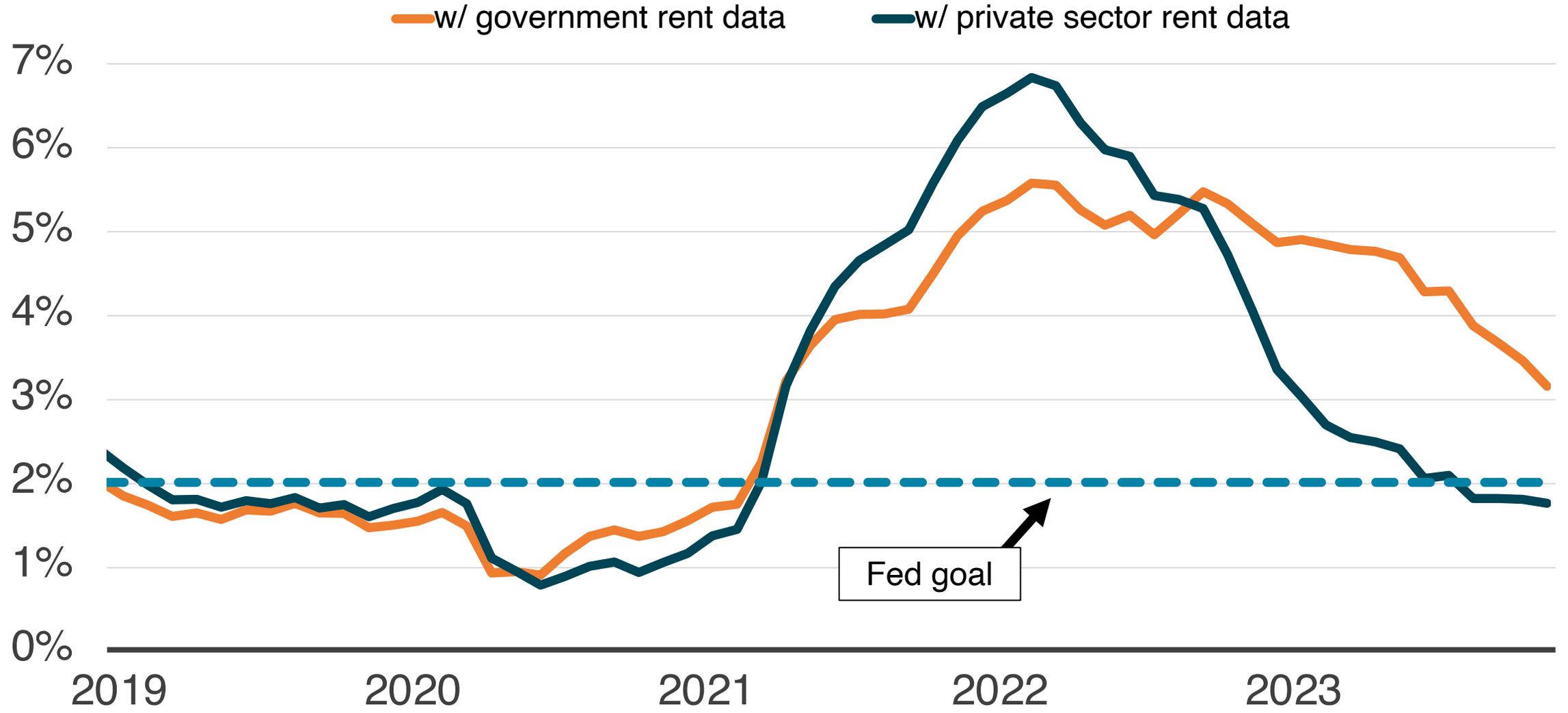
— Unofficial Private Sector Data — Official Government Data



Source: U.S. Bureau of Economic Analysis; Penn State/ACY Marginal Rent Index

Inflation Rate With Private Rent Indices

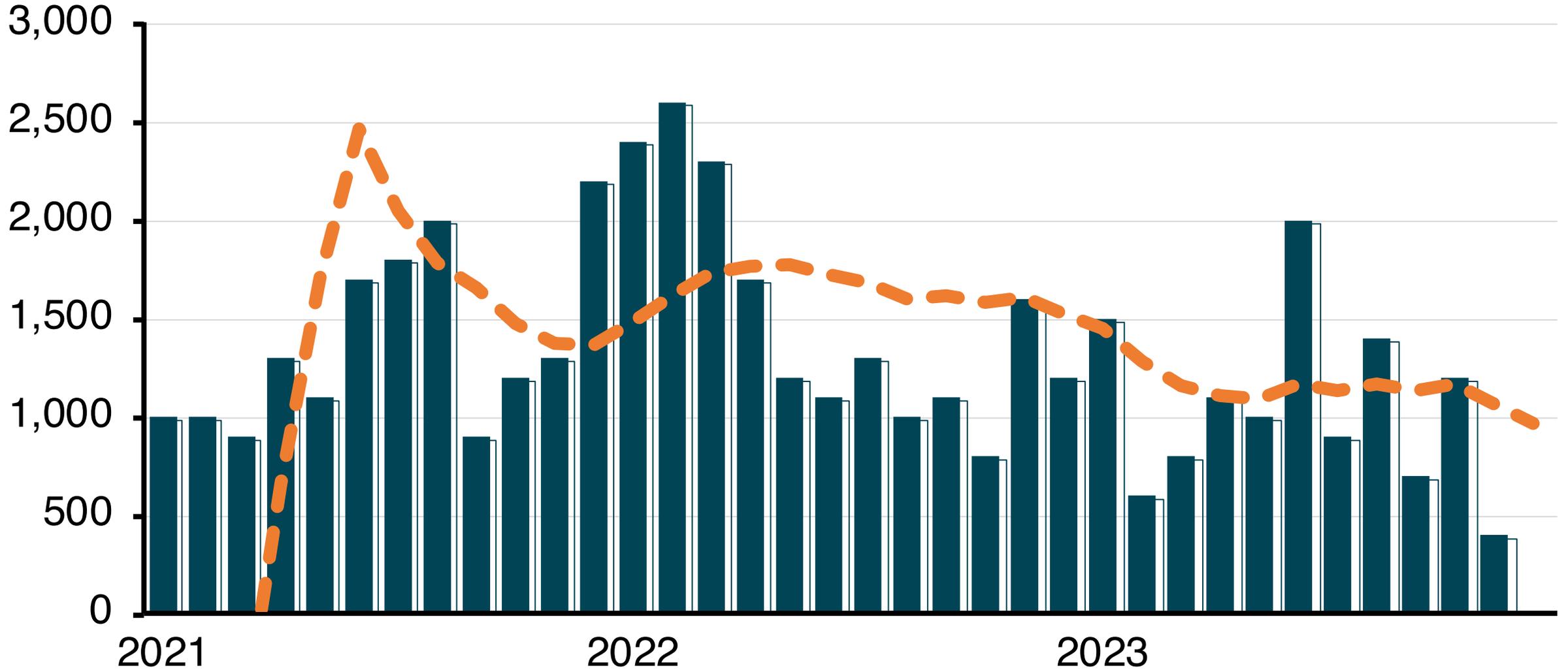
Core PCE Inflation



Source: U.S. Bureau of Economic Analysis; Penn State/ACY Marginal Rent Index

Job Growth

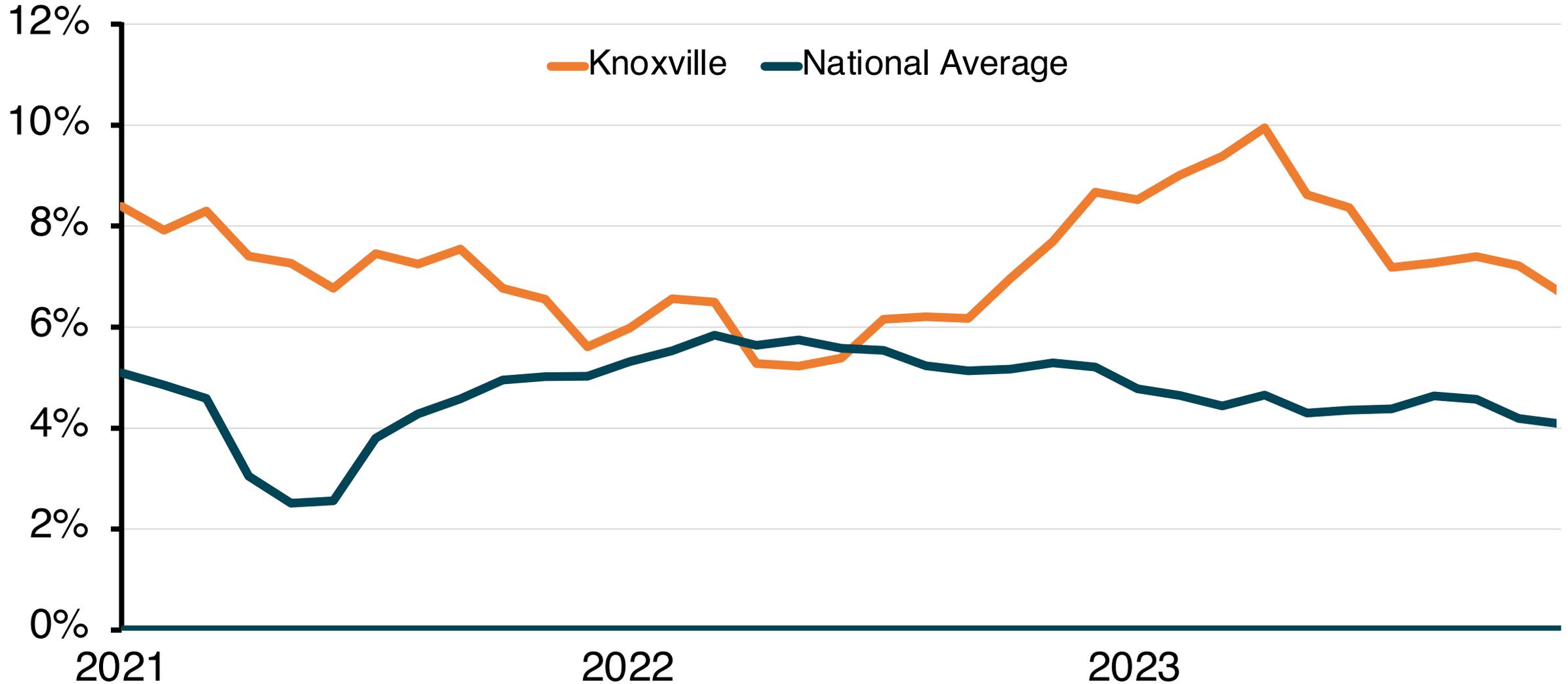
Monthly change in nonfarm employment, 3-month average: Knoxville, TN MSA



Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

Wage Growth

Annual change in average hourly earnings, 3-month average: Knoxville, TN MSA

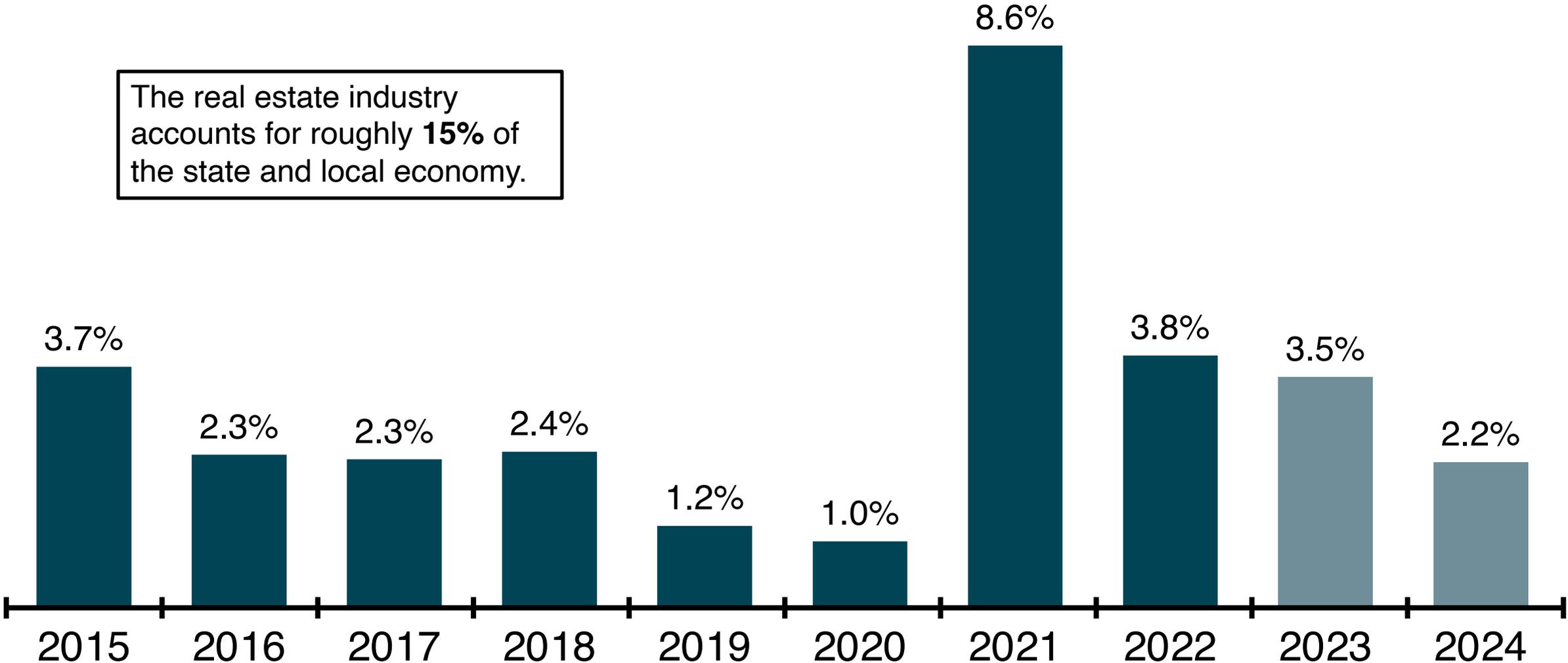


Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

Local Economy Continues to Outpace Expectations

Real GDP Growth: Knoxville, TN MSA

The real estate industry accounts for roughly **15%** of the state and local economy.



Source: U.S. Bureau of Economic Analysis (BEA); Moody's Analytics Estimates



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What Happened in 2023?

East Tennessee REALTORS® Forecast vs. What Actually Happened



Home Sales

ETNR Forecast: down 10-12%

Actual: down 15.3%



Median Sale Price

ETNR Forecast: up 3-5%

Actual: up 5.3%



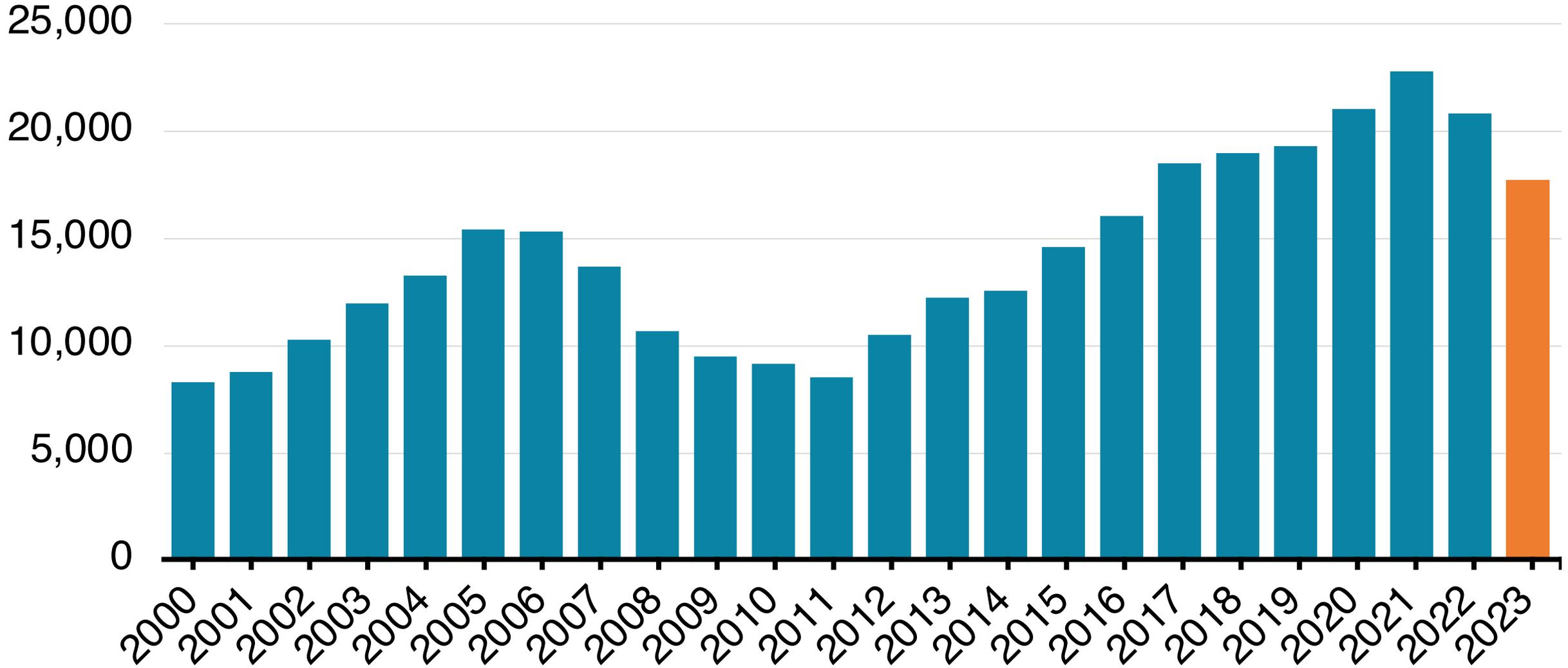
AVG 30-YR Fixed Mortgage Rate

Forecast: 6.4%

Actual: 6.8%

Home Sales Declined 15% in 2023

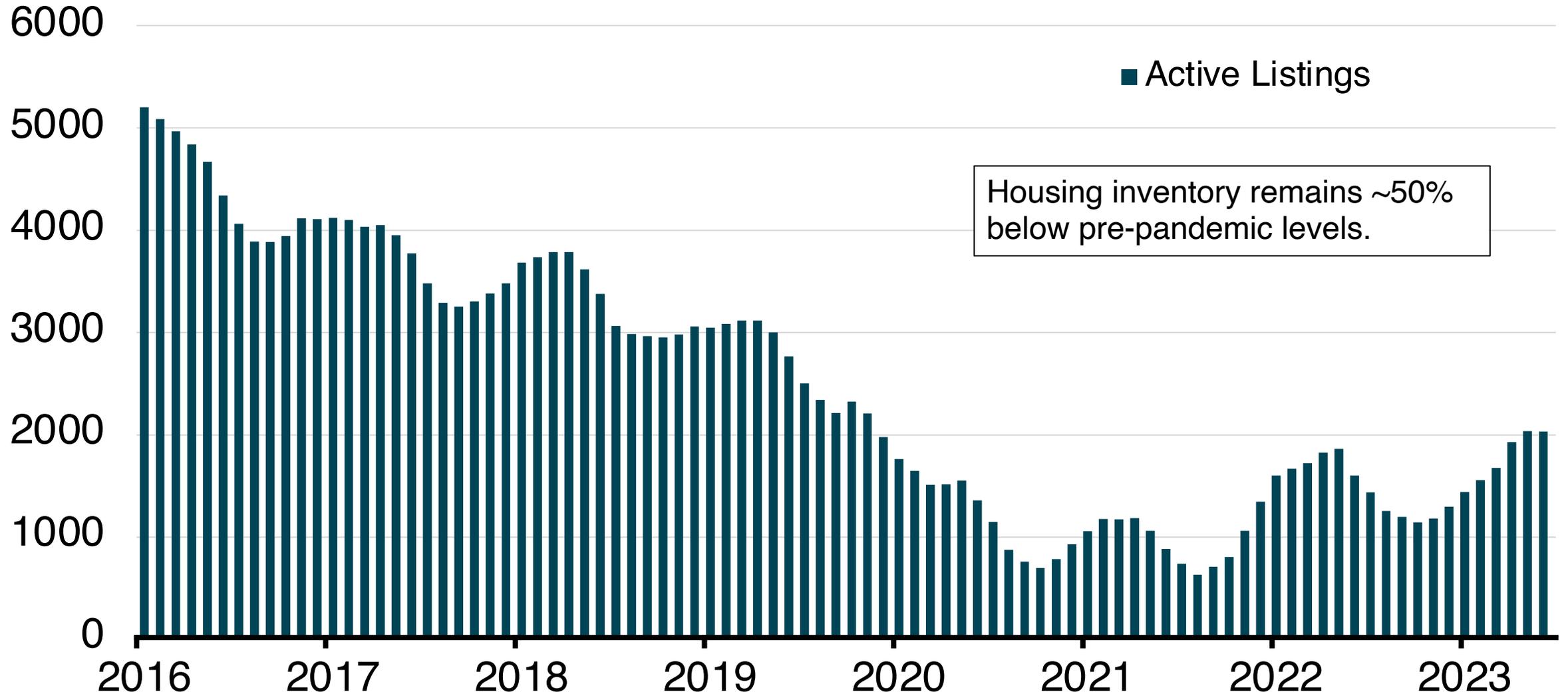
Annual Single-Family Home Sales: East Tennessee



Source: East Tennessee REALTORS®

Inventory Improving But Still Exceedingly Low

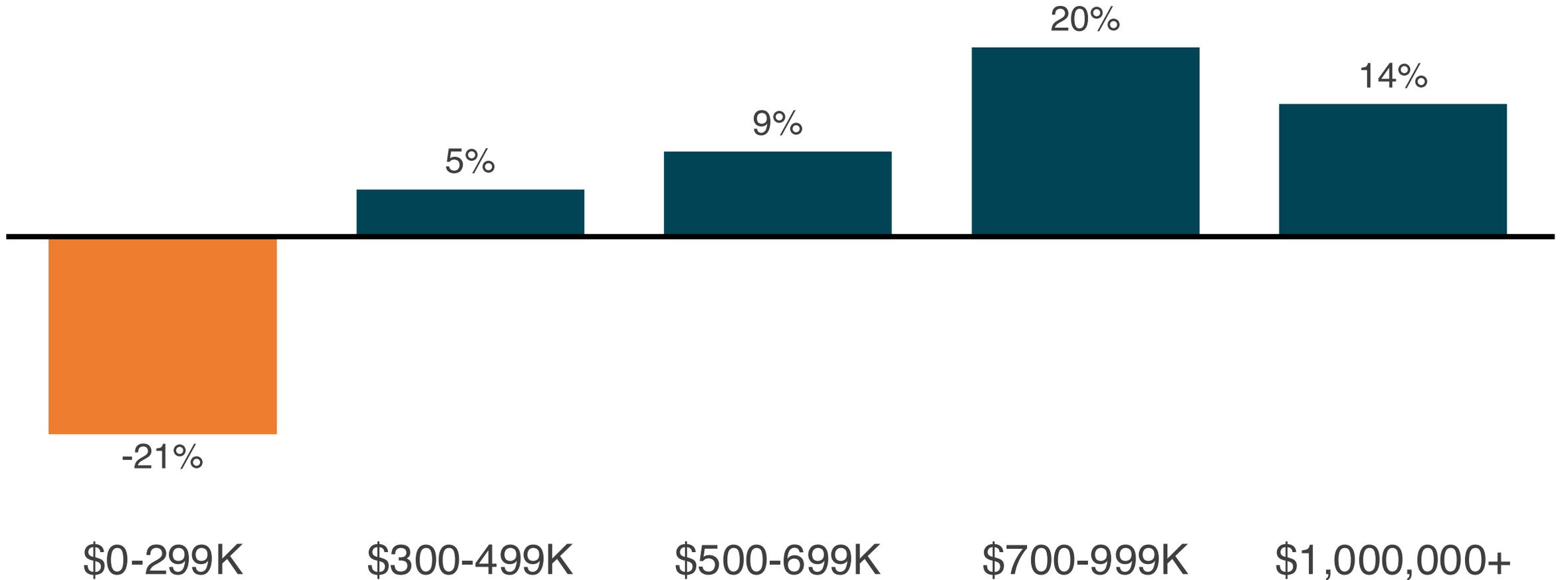
Active Listings: Knoxville Metro Area



Source: East Tennessee REALTORS® analysis of realtor.com data

Shortfall of More Affordable Homes

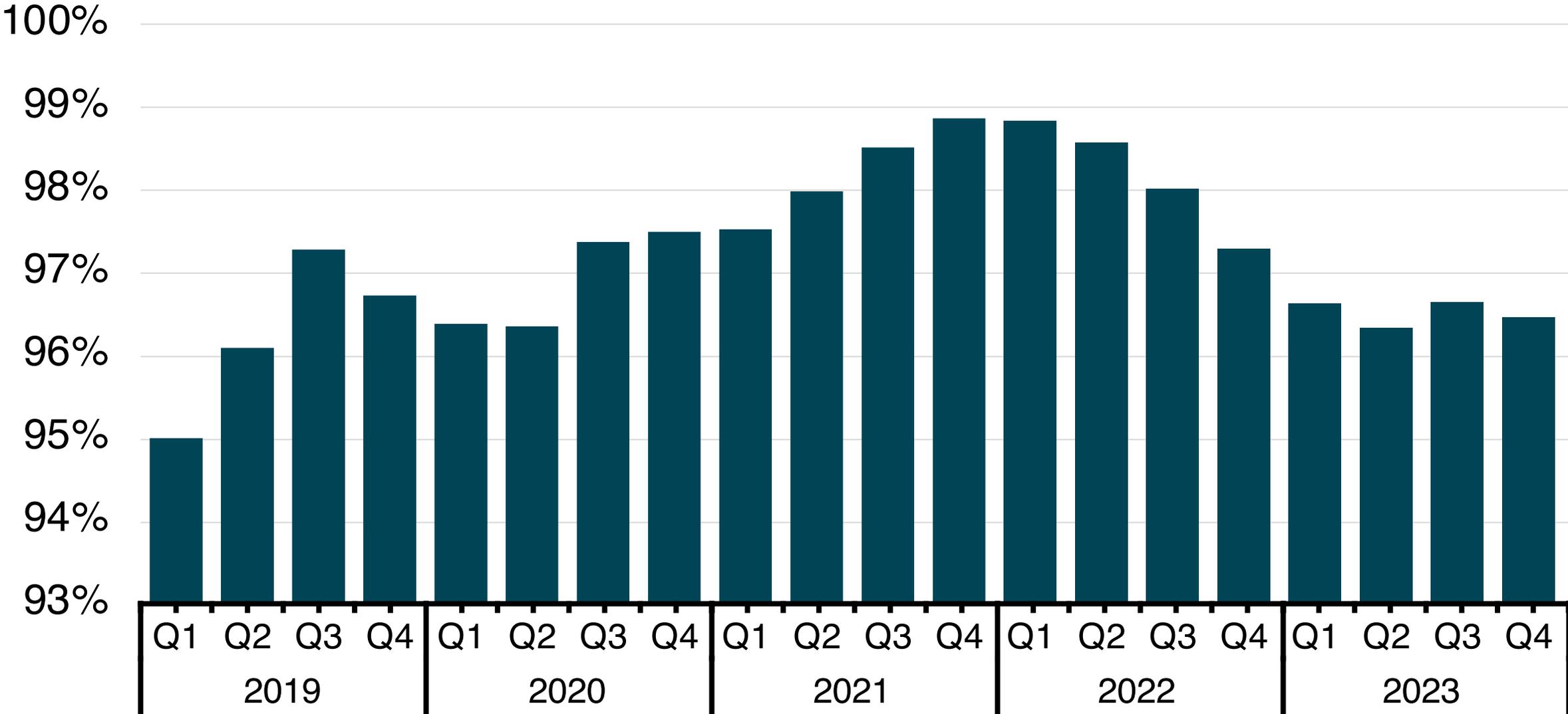
Annual Change in Active Listings by Price Range: East Tennessee



Source: East Tennessee REALTORS®

Occupancy Rates Are Back To Pre-Pandemic Levels

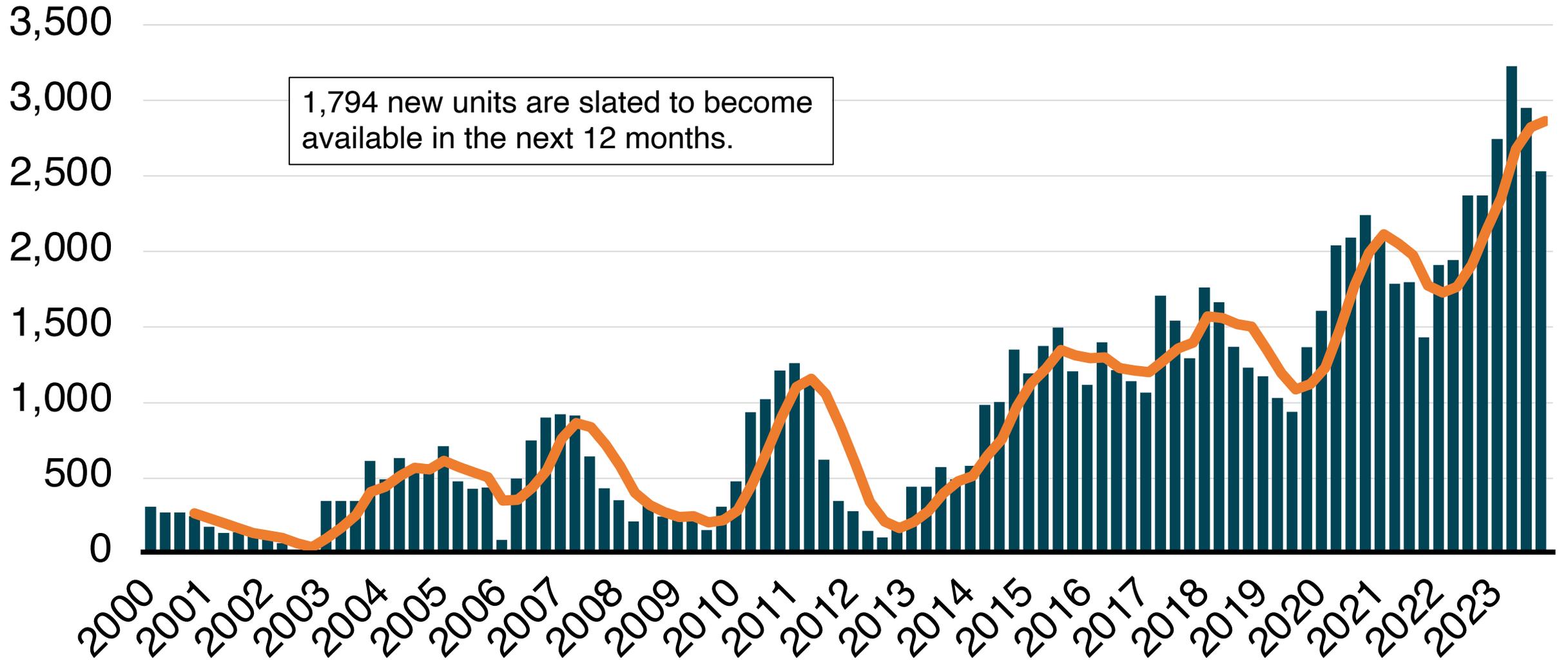
Rental Occupancy Rate: Knoxville, TN Metro Area



Source: RealPage Analytics

Multifamily Construction Boom

Market-Rate Apartment Units Under Construction: Knoxville, TN Metro



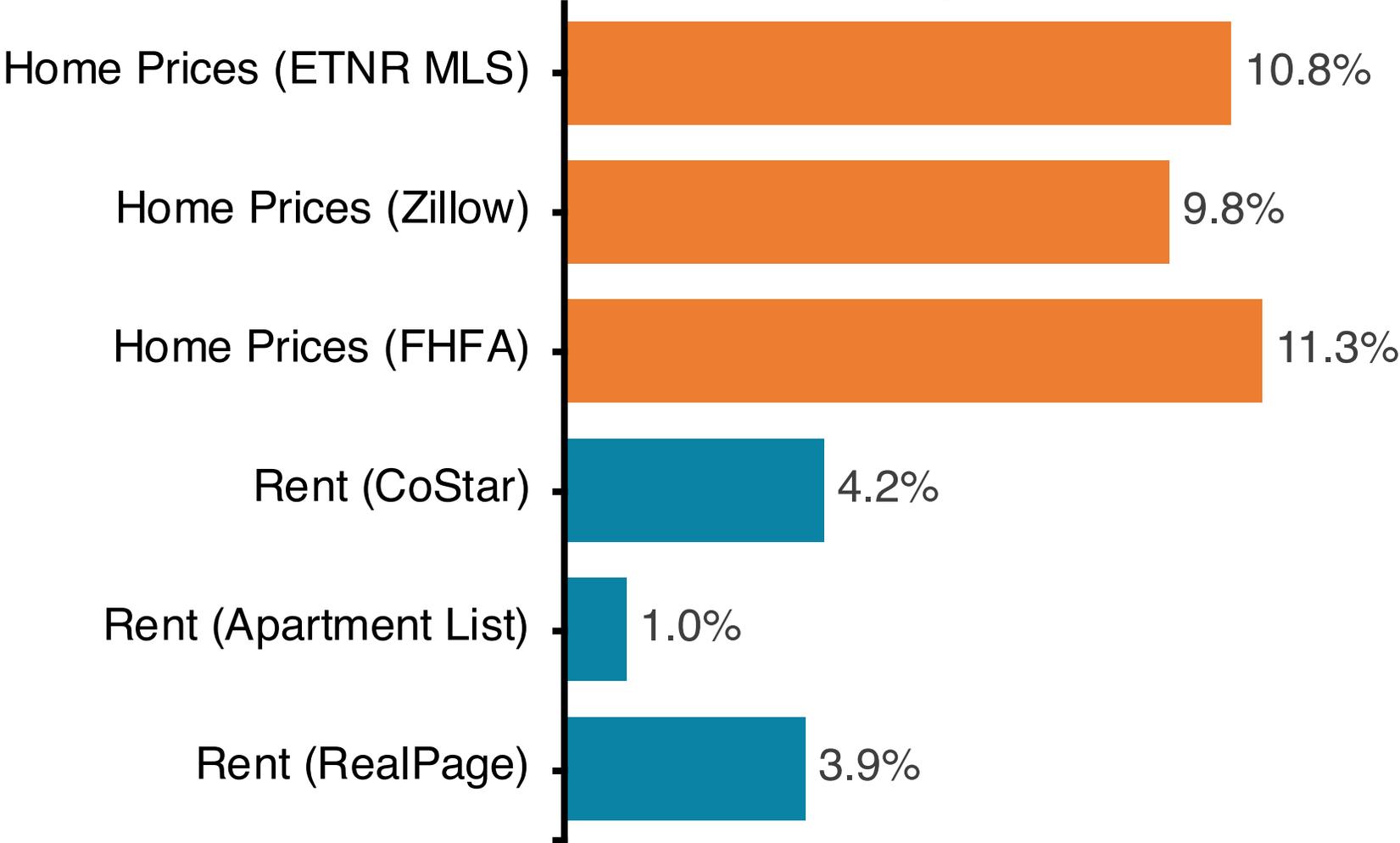
1,794 new units are slated to become available in the next 12 months.

Source: RealPage Analytics

Growth in Measures of Housing Costs

Knoxville, TN Metro Area

% change year-over-year, latest release



Home Price Trends Among Peer Cities

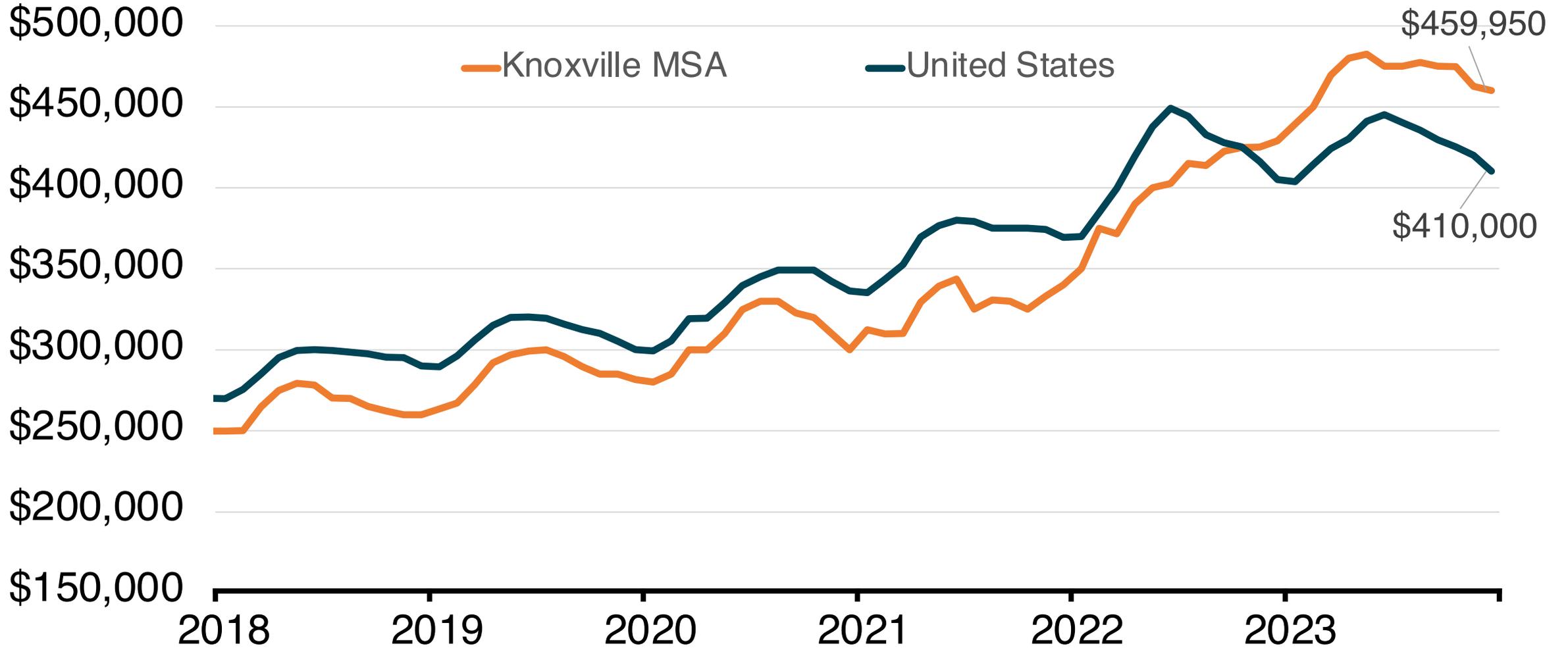
Annual Change in House Prices: Q3 2022 to Q3 2023

Region	Price Growth
Knoxville, TN	10.6%
Chattanooga, TN	8.3%
Greenville, SC	7.1%
Huntsville, AL	4.1%
Durham, NC	2.6%
Raleigh, NC	1.8%
Nashville, TN	0.7%
United States	4.8%

Source: FHFA All-Transactions House Price Index

Regional Asking Prices 11% Above National Average

Median Asking Price: Knoxville, TN Metro Area



Source: East Tennessee REALTORS® analysis of realtor.com data

Housing Affordability: 2022 vs. 2023

	2022	2023	Change (%)
Interest Rate	5.34	6.81	3.31 pp
Median Sale Price	\$320,000	\$338,000	\$18,000 (+5.6%)
Down Payment & Closing Costs	\$41,600	\$43,940	\$2,340 (+5.6%)
Monthly Payment	\$1,956	\$2,355	\$398 (+20.4%)
Annual Income Needed	\$78,254	\$94,191	\$15,937 (+20.4%)

Source: East Tennessee REALTORS®

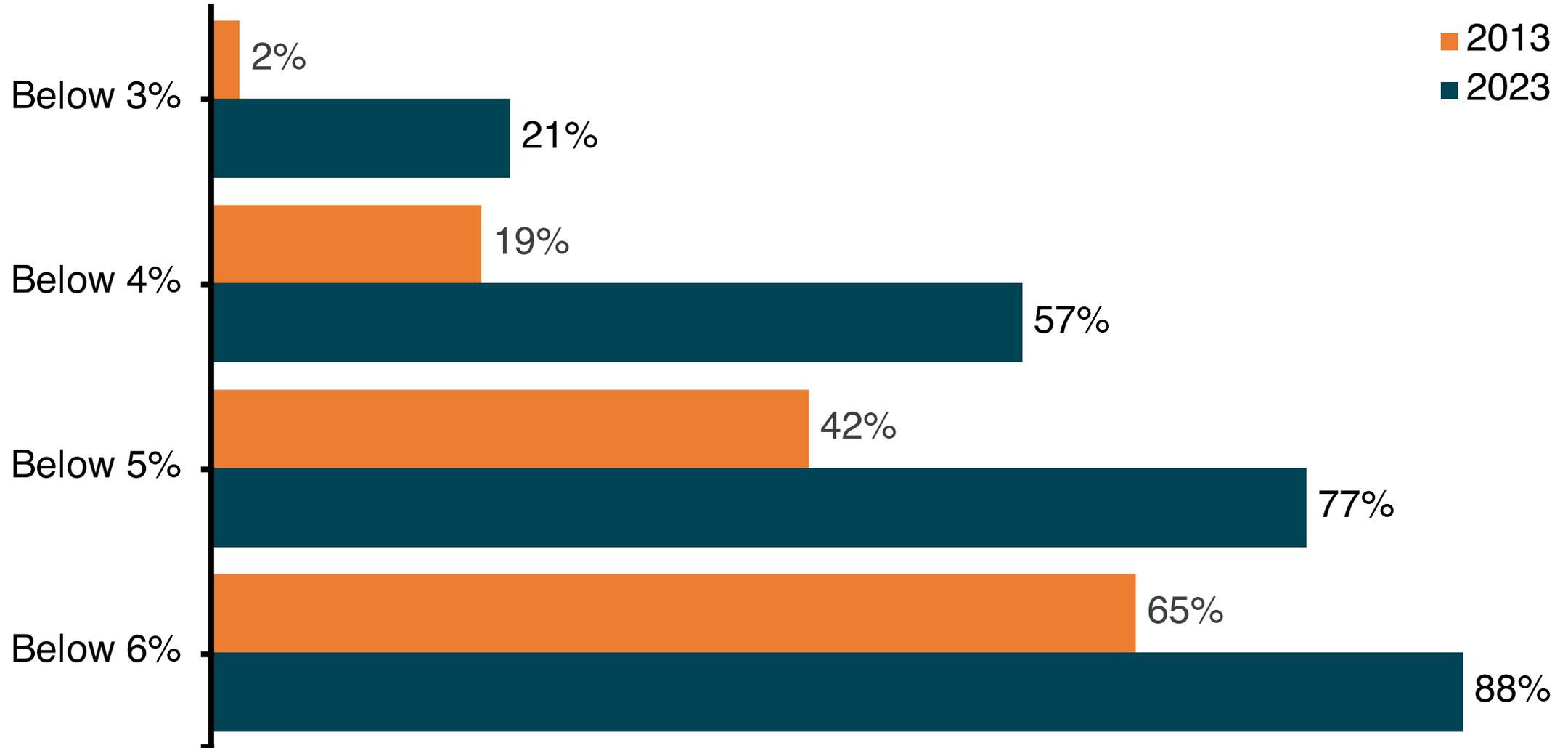


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The “Lock-In” Effect Persists

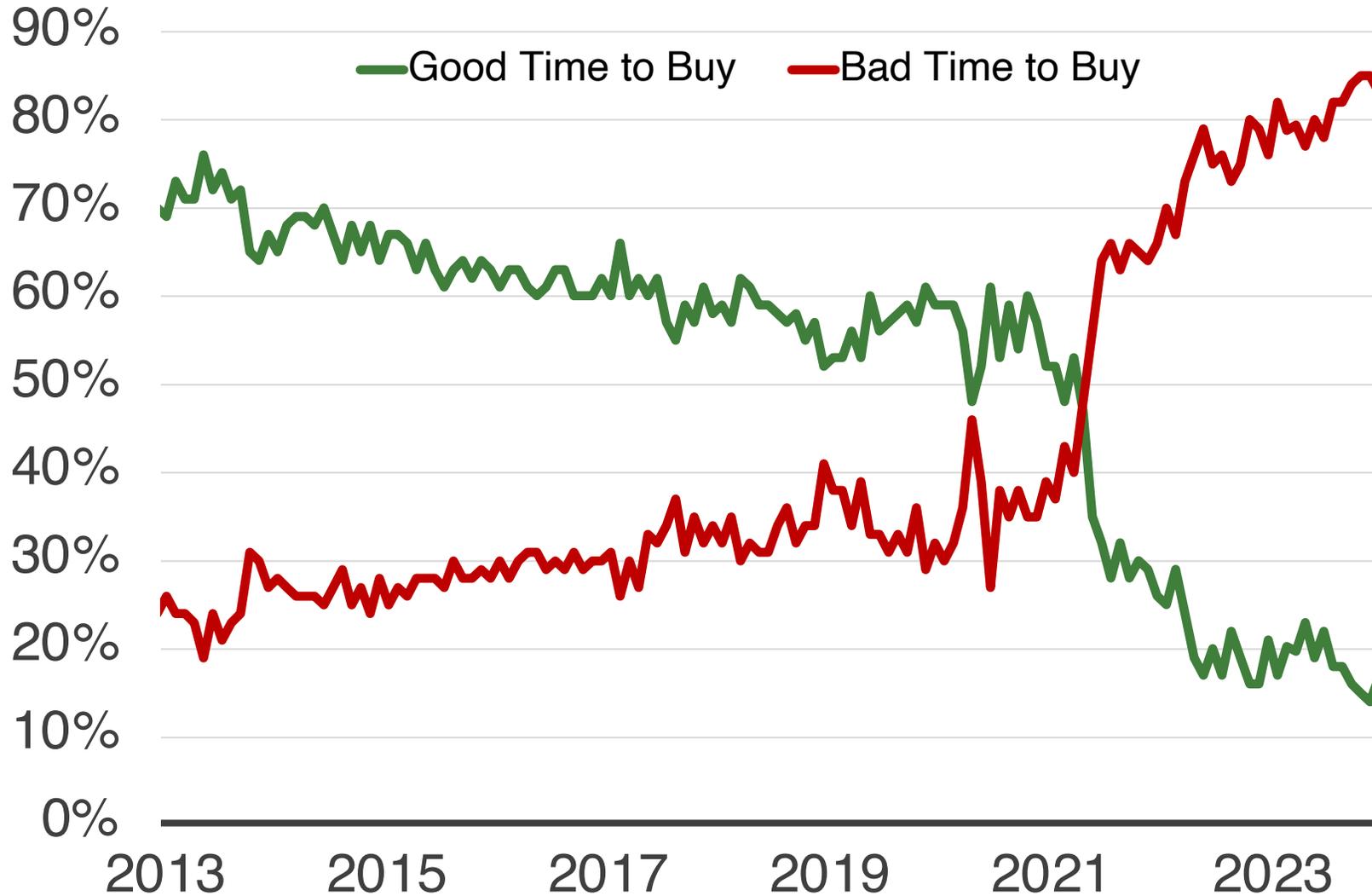
Share of Outstanding Mortgages By Interest Rate: Tennessee



Source: East Tennessee REALTORS® analysis of National Mortgage Database (NMDB) data

Consumer Pessimism Looms Large

Share of Americans who say it's a...



Source: Fannie Mae; National Housing Survey

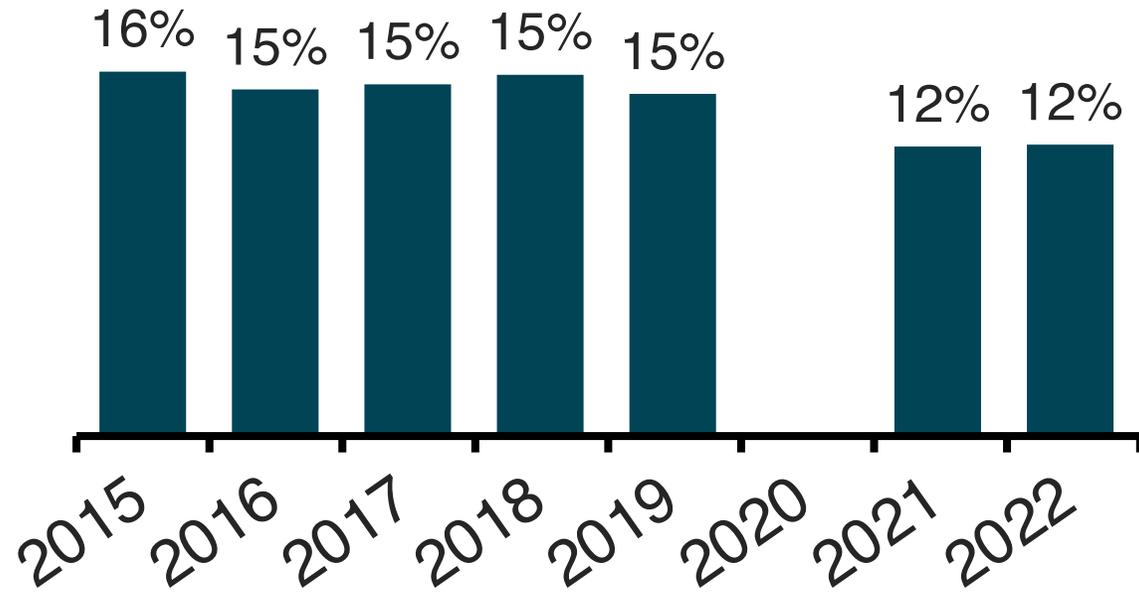
Higher interest rates, rising home prices, and low inventory have left consumers feeling overwhelmingly pessimistic.

4 in 5 Americans say it's a **bad** time to purchase a home.

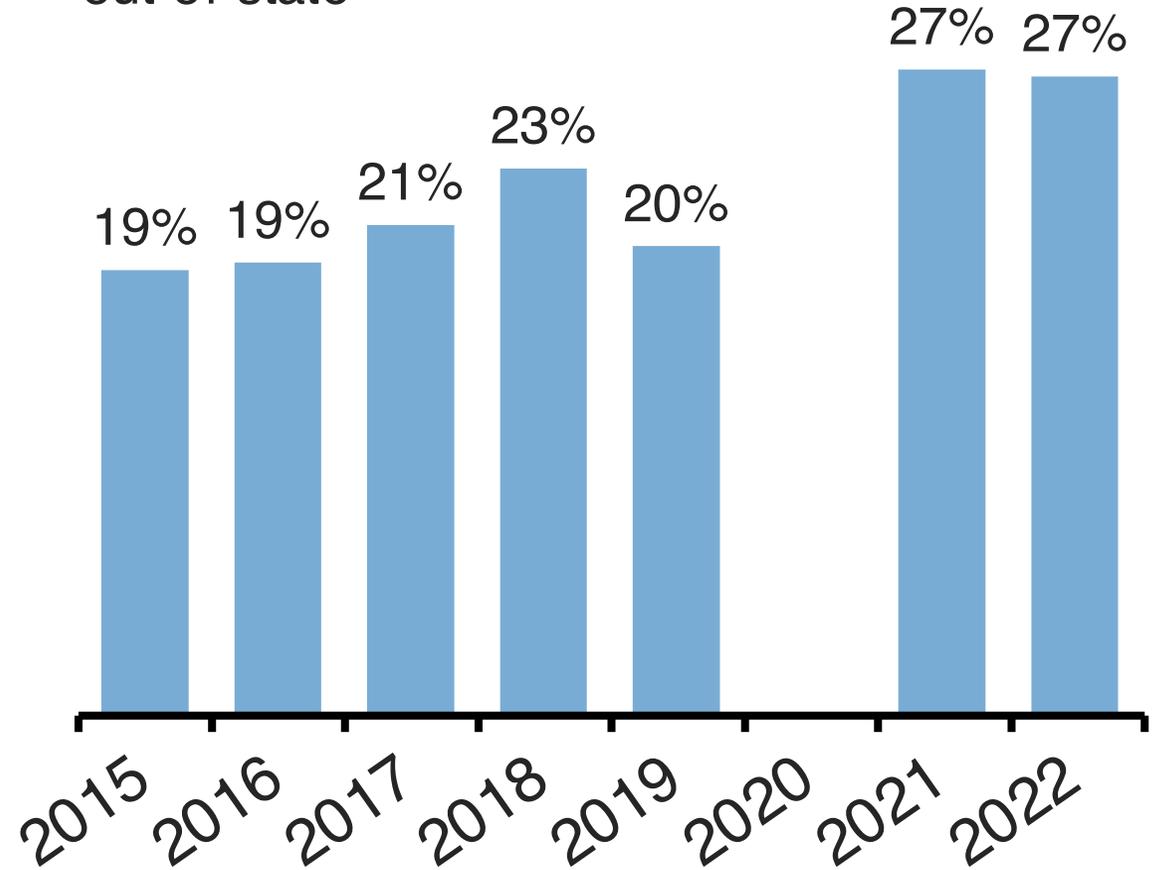
Migration Patterns: Fewer Movers But More Newcomers

Knoxville, Tennessee

■ Share of population that moved in the past year



■ Share of movers from out-of-state



Source: U.S. Census Bureau, ACS 1-Year Estimates

East Tennessee Migration Trends:

Where Are Movers Coming From and Going To?

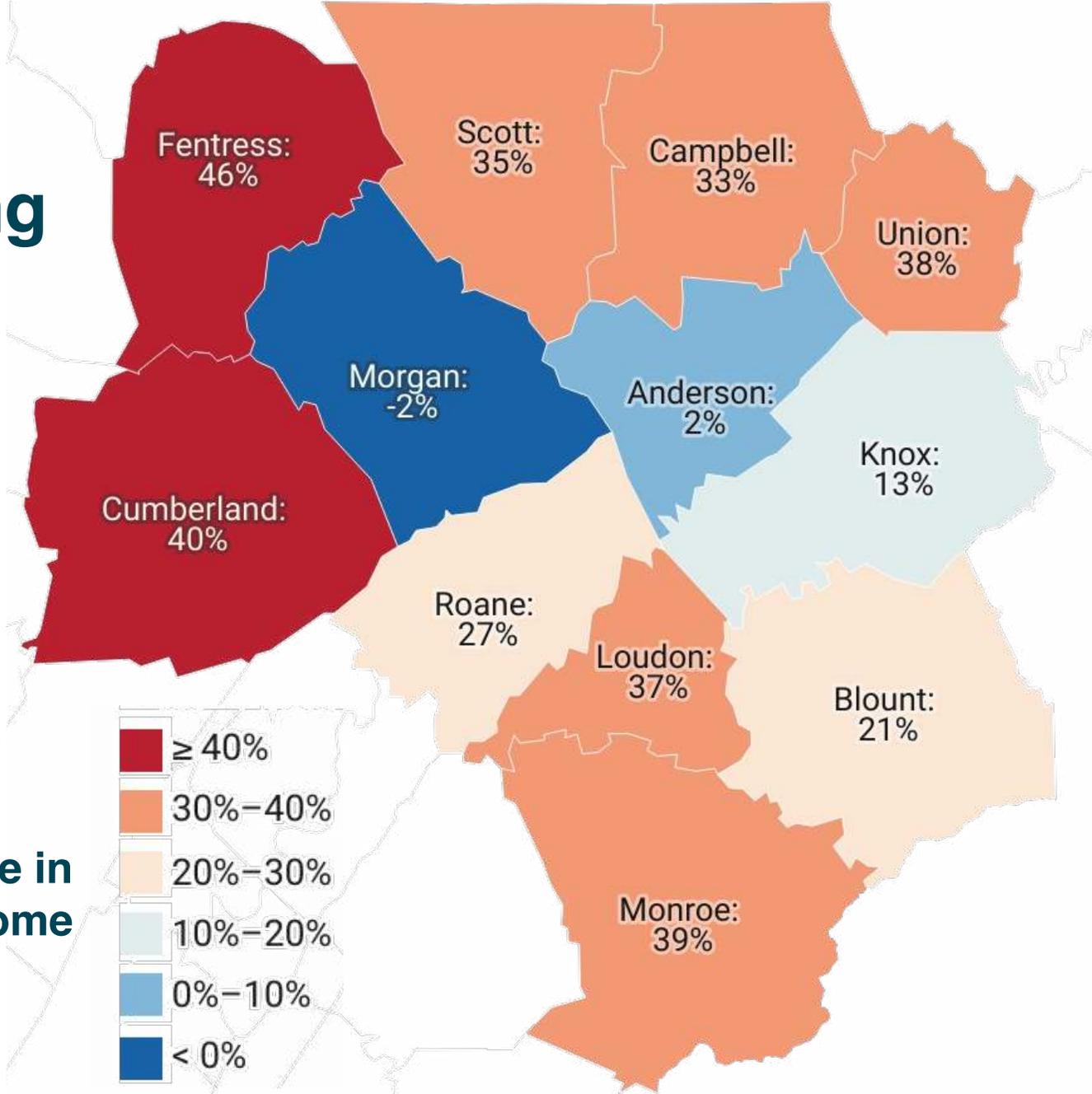
Top Origins	Top Destinations
Chicago, IL	Nashville, TN
Nashville, TN	Chattanooga, TN
Washington, D.C.	Johnson City, TN
Atlanta, GA	Atlanta, GA
Los Angeles, CA	Kingsport-Bristol, TN

Source: East Tennessee REALTORS® Migration Index

East Tennessee is attracting higher-earning migrants:

On average, the typical inbound mover earned 27% more in 2021 than the typical outbound mover.

Difference in Average Income



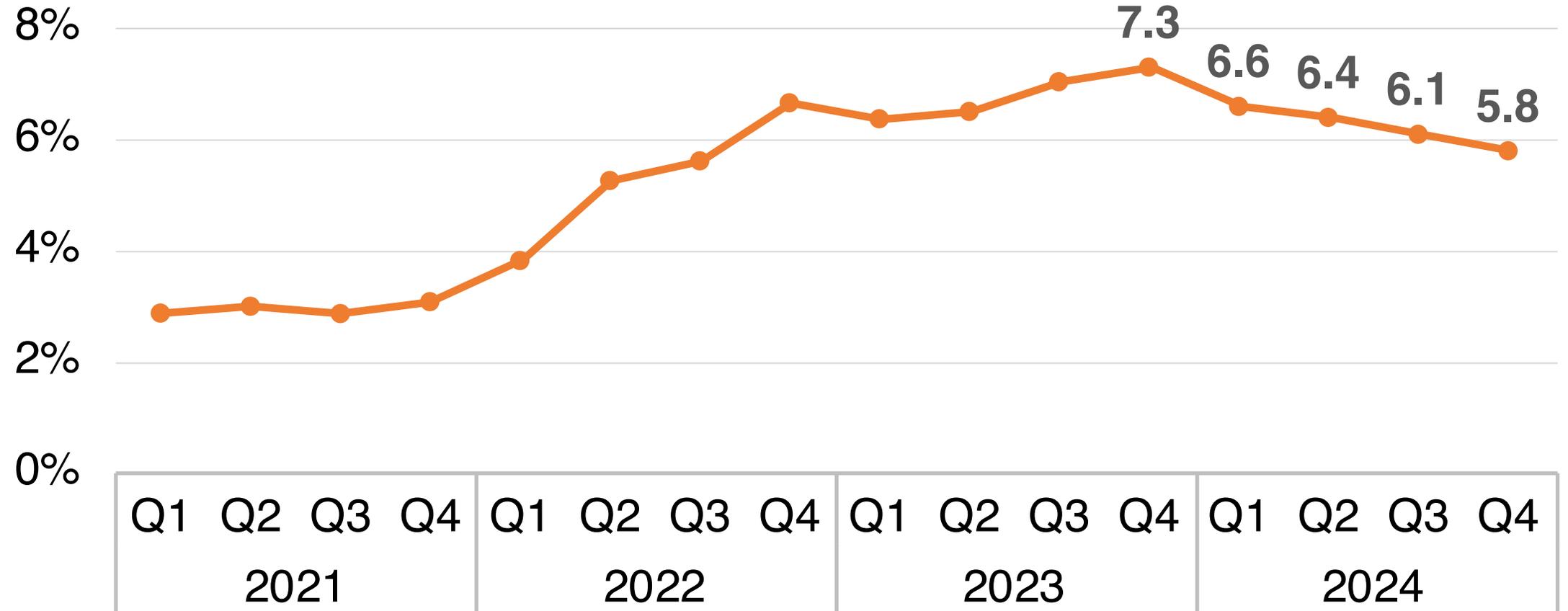


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Mortgage Rate Forecast

Average 30-Year Fixed Mortgage Rate



Source: East Tennessee REALTORS®; Freddie Mac

Housing Market Forecast

East Tennessee

	2022	2023	2024
Median Sale Price	\$320,000	\$338,000	\$350,000
Home Prices	+16.7%	+5.3%	+3.6%
Home Sales	-9.0%	-15.0%	+11.1%

Rental Market Forecast

East Tennessee

	2022	2023	2024
Occupancy Rate	98.2%	96.5%	96.4%
Effective Rent	\$1,313	\$1,442	\$1,487
Rent Growth	+17.7%	+7.7%	+3.1%



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