



# 2025 Housing Market Forecast

February 2025

## A Message from the President

The theme of 2025 as we start the year has been momentum and fresh energy. Housing in East Tennessee is poised for a comeback, and our members are beginning to see inventory movement as the market slowly thaws alongside the weather.

This year's Forecast Report provides an outlook for our housing market in 2025, intended to help you better understand and prepare for the coming months. Despite several years of challenging market conditions, our area has seen incredible growth and received national attention, including being named to the top ten Housing Hotspots by the National Association of REALTORS®.

The report offers data-driven insights and perspective to help our members, industry stakeholders, local leaders and policymakers navigate our housing market and make informed decisions in our environment of accelerating growth and change.

We are pleased to be your local resource for housing information, research and data in our region, and encourage you to engage with our social media and newsletters for frequent updates throughout the year. Together, we can navigate the evolving market, care for our customers and community, and plan for a bright future in local real estate.



Tina Collins-Hefner  
2025 President  
East Tennessee REALTORS®

## 2025 Housing Market Forecast

Following several years of downturn, a slow recovery in 2024 and a protracted inventory crunch, East Tennessee's housing market is expected to improve in 2025 with decelerating home price growth and the potential for healthy increase in annual home sales.

Expected market growth can be attributed to several indicators, including increasing inventory, increased consumer willingness to purchase despite relatively flat mortgage rates, the decreasing impact of the lock-in effect and overall economic and population growth in the region.

The continued imbalance of supply and demand, resulting in low inventory, remains a challenge to affordability in 2025. While multi-family construction has increased significantly in a few counties and helped to slightly alleviate the upward pressure on home prices, new home starts have not caught up to demand. The pressure of low inventory is the factor with the most impact on home prices and sales in our region and will continue to moderate home sales growth.

Long-term market forces are mostly favorable. While the high rate of population growth in East Tennessee does pose a challenge to inventory, it has also brought wage and payroll employment growth and changing household demographics that have helped reinvigorate the market.

### **Home prices are forecasted to grow modestly in 2025, at an annual increase of 2.9%.**

Single family home price growth decelerated in 2024 but remains above both the area historic average and national averages. Home prices in the Knoxville metropolitan statistical area<sup>1</sup> rose 6.5% year over year in the third quarter of 2024, according to the FHFA House Price Index (HPI), down from 11.3 in the previous year. Price growth will be offset by loosened inventory and demand.

### **Total home sales in 2025 are forecasted to increase 8.7% from the previous year.**

Over the previous three years, seasonally adjusted year-over-year home sales dropped steeply by 9% in 2022 and 15% in 2023 before recovering at a positive 1.8% growth in 2024. Home sales in the second half of 2024 outpaced 2023, and both demand and inventory increased at the end of the year, indicating potential for a solid upswing.

### **Apartment rent growth in 2025 is forecasted to stay steady around 3.5%.**

Rent growth slowed in 2024; rents in the area rose only 0.5% from the previous year in Q4 2024. While apartment stock has increased and helped to slow price growth, demand is still outpacing supply. The apartment occupancy rate declined throughout 2024, landing at 95.6% in Q4 2024 but remaining among the nation's highest. Occupancy is expected to stay steady in 2025 at 96.7%.

<sup>1</sup> The Knoxville, TN metropolitan statistical area (MSA) as defined by the US Office of Management and Budget includes Anderson, Blount, Campbell, Grainger, Knox, Loudon, Morgan, Roane and Union Counties.

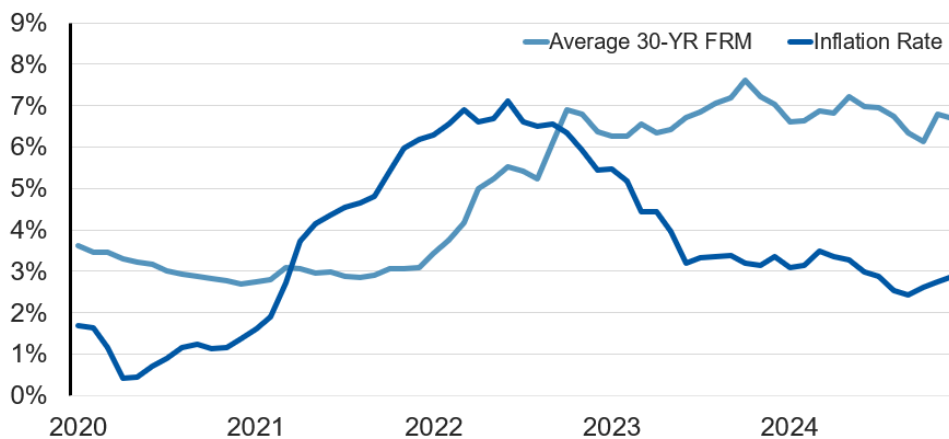
## Economic Conditions

National economic forecasts have called for positive but moderate growth in the coming year compared to 2024, a positive outlook based on healthy employment, income growth and consumer spending at the end of the year. Mitigating factors include annual inflation remaining stubbornly high at 3% as of this writing and potential near-term slowdown depending on a broad range of unpredictable variables in the areas of trade, tax, regulatory and workforce policies, and subsequent consumer reactions to those outcomes. The U.S. Bureau of Labor Statistics reported that the largest driver of inflation is currently shelter, or in other words housing.

East Tennessee also is expected to see solid growth in 2025 with continuing net population gains, payroll employment growth and the increase in local investment from incoming companies drawn by the favorable local business climate. According to Moody's Analytics estimates, inflation-adjusted gross domestic product (real GDP) in the Knoxville MSA expanded by 1.6% in 2024 and is projected to grow by 2.2% in 2025.

### Inflation and Mortgage Rates

Average 30-YR FRM vs. Inflation Rate



Source: U.S. Bureau of Economic Analysis; Freddie Mac

With the annual rate of inflation remaining above the Federal Reserve's 2% target, Fed Chair Jerome Powell has declined to make further rate cuts. The decision was based on stickier than expected inflation, strong jobs performance and reluctance to make adjustments during an uncertain period of policy influences that could cloud market indicators. As a result, the 30-year fixed mortgage rate has remained near 7%, slowly falling to 6.95% at the end of January 2025.

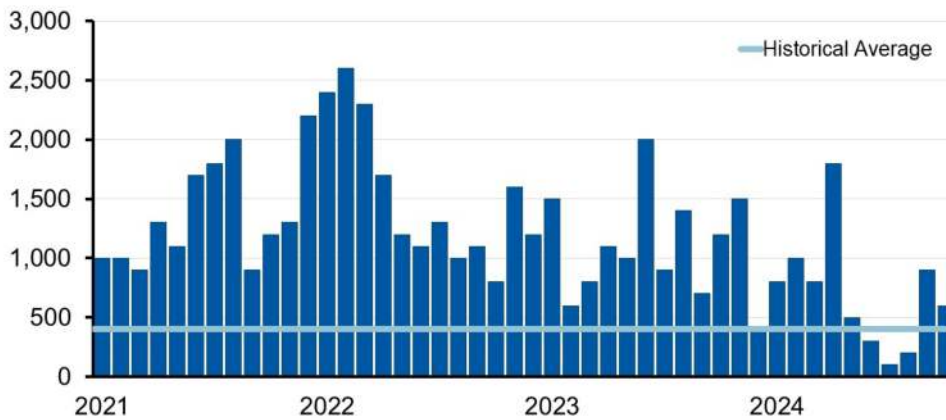
The higher interest rates weighed on the East Tennessee housing market in 2024, contributing to a slower than expected rate of sales growth. However, by the end of the year sentiment appeared to flip and buyers and sellers began to re-enter the market.

While not fully yet quantifiable, the National Association of REALTORS® research team has posited that we may be reaching the limit of the “mortgage rate lock-in effect.” While homeowners would prefer to stay put because their mortgage rates are more favorable than current offerings, life changes only allow this choice for a few years before the motivation of better-suited accommodations becomes more pressing than preserving the lower interest rate. East Tennessee’s above national average price gains have also allowed existing homeowners to accumulate wealth, giving increasing immunity to interest rates.

Job growth in the region was steady, with approximately 7,900 jobs added and an unemployment rate of 3.2%; still below the national average of 4%. Wage growth has fluctuated; while the average hourly private wage has seen healthy growth from \$25.54 in 2020 to \$32.90 at the end of 2024, local wage growth slowed in 2024. The Knoxville Chamber reported on the ongoing brain drain last year, showing that Knoxville had a net loss of 8% of its college educated population in 2023. The lack of growth in the 24-54 year-old demographic has also held back potential wage growth.

### Pace of Monthly Job Gains

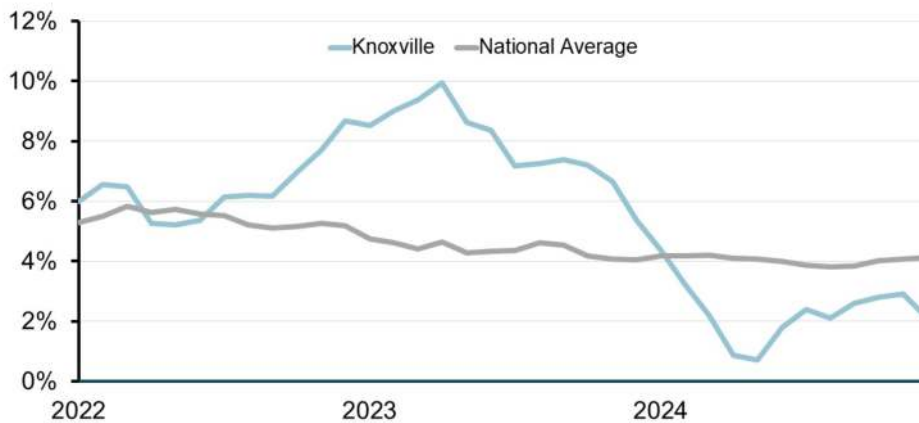
3-month average of monthly change in nonfarm employment: Knoxville, TN MSA



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

### Nominal Wage Growth

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



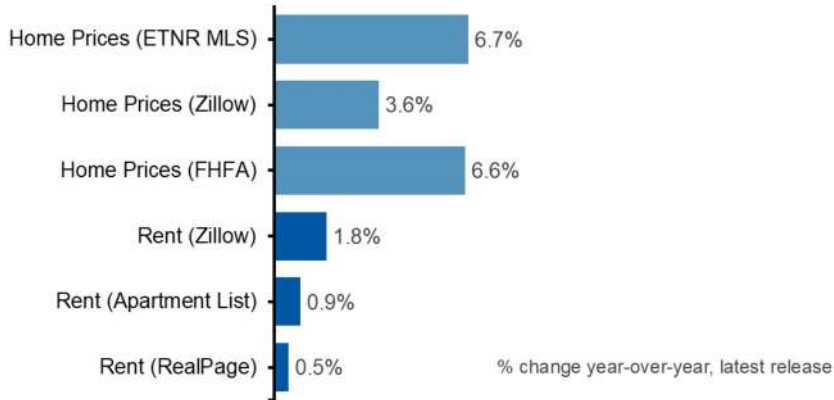
Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

# Housing Affordability

Housing affordability conditions improved slightly in 2024, alongside slowing price growth. Although thousands of potential homebuyers are still priced out of the housing market as reflected in sales, both demand and new listings at the end of the year showed unseasonably strong growth.

## Growth in Measures of Housing Costs

Knoxville, TN Metro Area



Elevated borrowing costs and extremely tight inventory drove the decline in affordability that has continued in an upward trend since the pre-pandemic increase in demand around 2019. In 2024, lack of inventory provided more pressure on home prices and affordability than interest rates.

Interest rates fluctuated in 2024 but ended on a modest increase of less than 0.04%, while the median sale price in the East Tennessee region rose by 6.5% over the year from \$338,000 to \$360,000. As a result, the annual income needed to afford the median-priced home rose from \$94,191 in 2023 to \$102,080 in 2024, meaning more than two-thirds of residents still cannot afford the typical home.

The affordability outlook for 2025 is more promising: Housing inventory has shown signs of improvements in recent months, with the number of available listings increasing by 28.3% from 4,688 in December 2023 to 6,013 in December 2024.

## Housing Affordability: 2023 vs. 2024

	2023	2024	Change (%)
Interest Rate (%)	6.81	6.87	0.06 (+0.1%)
Median Sale Price	\$338,000	\$360,000	\$22,000 (+6.5%)
Down Payment & Closing Costs	\$43,940	\$46,800	\$2,860 (+6.5%)
Monthly Principal & Interest Payment	\$1,985	\$2,115	\$130 (+6.6%)
Total Monthly Owner Costs	\$2,355	\$2,552	\$197 (+8.4%)
Annual Income Needed	\$94,191	\$102,080	\$7,889 (+8.4%)

*Source: East Tennessee REALTORS® analysis of Freddie Mac, FHFA, and MLS data; Atlanta Fed. Data for 2024 are preliminary and subject to revisions. Estimates assume a 10% down payment on a 30-year fixed-rate loan with zero points, 3% closing costs, 0.5% property taxes, 0.40% property insurance, 0.558% private mortgage insurance, and a maximum 30% debt-to-income ratio.*

## Housing Sales and Market Performance

East Tennessee’s housing market is poised to experience sales growth in 2025 as loosening inventory, improved buyer confidence, and continued favorable economic conditions will spur increased buyer demand. Price growth should gradually decelerate as more inventory enters the market, even against continued demand and population growth.

### Mortgage Rates

After rising to the highest level in more than two decades in 2023, mortgage rates fell slightly in 2024 to land at a 52-week average of 6.76%, according to Freddie Mac’s Primary Mortgage Market Survey. After a tumultuous end of the year, rates have inched down in the first weeks of 2025 to 6.87%. If this continues, mortgage rates could fall to slightly above 6% near the end of 2025.

### Home Sales

After falling 15% in 2023, home sales across East Tennessee recovered to a positive growth of 1.8% in 2024. Constrained inventory across all price levels challenged the market, holding back an otherwise favorable home sales environment. Pent-up demand from previously sidelined customers is already apparent in the first weeks of 2025.

While inventory is improving, the bulk of available listings are existing inventory rather than new construction. This reflects the national market, in which homebuilder confidence in January fell to its lowest level in 5 months, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI). NAHB cited policy uncertainty especially as it relates to building materials and tariffs, continued high interest rates and labor/supply cost factors, and national starts fell 1.8% in January 2025 over last year. This will be a tempering factor in sales growth.

### Home Prices

Despite continued affordability constraints and a slowing economy, limited inventory and labor market resilience will provide support to keep house prices growing across the region, if at a slightly slower pace. A significant decline in home prices remains unlikely.

### 2024 Housing Market Forecast

Summary	2023 Actual	2024 Actual	2025 Forecast
<b>30-Year Fixed Rate Mortgage</b> (52-Wk Avg)	6.8%	6.76%	6-6.6 %
<b>Median Sale Price</b>	+5.3%	+6.5%	+2.9%
<b>Home Sales</b>	-15.0%	+1.8%	+8.7%

*Source: Freddie Mac; FHFA; East Tennessee REALTORS®*

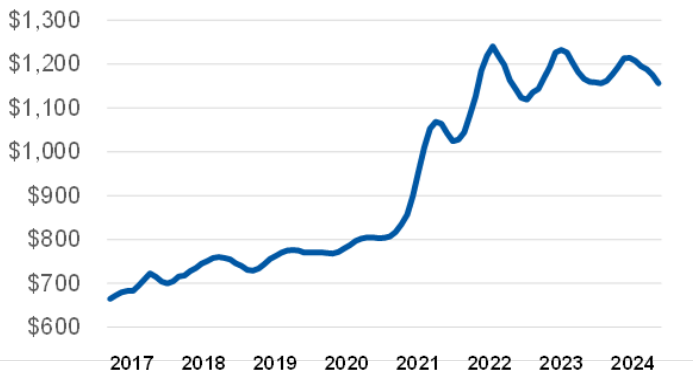


## Rental Market Outlook

East Tennessee’s rental market experienced remarkable growth since 2020, with the region consistently ranked among the top U.S. MSAs for both rent growth and occupancy. As of the fourth quarter of 2024, effective rents in Knoxville MSA have risen 62% – or \$577 – since the beginning of 2020. According to the most recent available data from the U.S. Bureau of Labor Statistics, as of Q4 2023 average wages in the area had only risen by 15% since 2020.

Occupancy remains high after the region reached an all-time record of 99% occupancy in 2022. Post-pandemic demand increases provoked record investment in multifamily rental housing. In 2024, this trend continued with 1,505 units completed. Another 1,498 units are under construction and expected to be completed within the next 10-12 months, a YOY increase in inventory of 2.8%. Most of the expected units are concentrated in Knox County.

### Effective Median Rent, Knoxville MSA



The increase in units helped keep rent relatively flat in 2024, ending the year at an 0.5% total increase in effective rent. However, rent is still relatively high and affordability low; a 2024 report from Apartment List showed that 52.6% of households in the MSA were cost-burdened (spending more than 30% of monthly gross income on rent), and that 25% of households are extremely cost-burdened (spending more than 50% of monthly gross income on rent).

Source: East Tennessee REALTORS® analysis of Apartment List data

East Tennessee’s rental market is expected to experience slight growth in 2025 as net in-migration, above-average renewal rates, and underlying demographic trends continue to bolster demand in the year ahead. As a result, rent growth in the Knoxville MSA is forecasted to grow 3.5% on an annual basis in 2025, while the occupancy rate is forecasted to climb slightly to an average of 96.7% in 2025, up from 95.6% in 2024.

### 2024 Rental Market Forecast

Summary	2023	2024	2025 Forecast
<b>Occupancy</b>	96.5%	95.6%	96.7%
<b>Effective Rent</b>	\$1,442	\$1,485	\$1,536
<b>Rent Growth</b>	+7.7%	+0.5%	+3.5%

Source: RealPage; East Tennessee REALTORS®

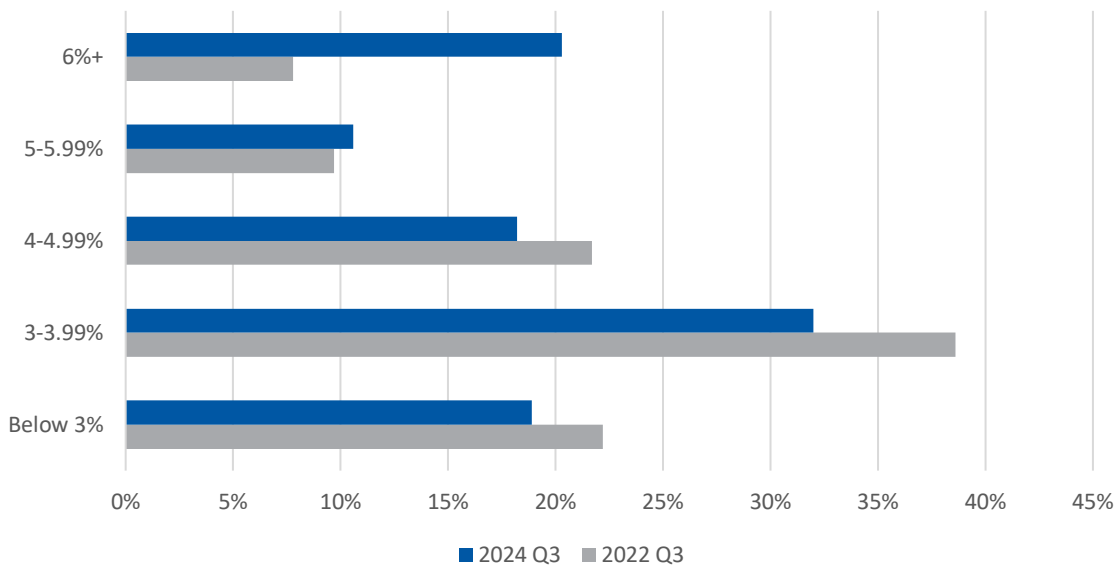


## Trends To Watch

**Mortgage rates and the waning “lock-in” effect.** The mortgage rate environment is a critical determinant of housing market activity. Lower mortgage rates make borrowing more affordable, which increases the affordability of homes for potential buyers. This often leads to higher demand for housing, as more people find it financially feasible to purchase a home. Conversely, when mortgage rates rise, the cost of borrowing increases, reducing demand as fewer people can afford the higher monthly payments. The outlook for East Tennessee’s housing market in 2025 hinges on the trajectory of mortgage rates and whether any expected decrease in rates is realized.

During the pandemic years, homeowners capitalized on unprecedented low-interest-rate environment, refinancing or initiating mortgages at rates significantly below the long-term average. The subsequent rise in rates triggered the "lock-in" effect, where a sizable portion of homeowners have a financial incentive to stay in their current home because moving would require taking on a new mortgage with a higher rate and thus paying substantially more in interest costs. This effect was a daunting barrier to inventory movement for the last few years, but is beginning to ease. The below chart shows the upward shift in mortgage rates from 2022-2024.

**Knoxville MSA Loan Rate Distribution Changes**



*Source: FHFA National Mortgage Database (NMDDB)*

In 2025, we expect to see this trend continue as life changes that necessitate a move, the record amount of home equity accrued by homeowners in the past 3 years and incoming buyers with incentivizing offers could help lessen the rate “lock-in” effect. Another mitigating factor is the outsized gains in wealth for Knoxville homeowners; as of Q4 2024 seasonally adjusted home prices have soared nearly 91% over the last 5 years. Knoxville has fewer of these “locked-in” homeowners than other markets; the National Association of REALTORS® called out the affordability indicator that 74.7% of new originations in our market during the same 5-year period had a rate below 6%.

**Older first-time home buyers and a higher share of renters who can afford to buy.** The disproportionate home equity gains in East Tennessee have been positive for existing homeowners starting in 2019 but challenging for those seeking to enter the market. Nationally, the first-time homebuyer age has risen to 38. The Knoxville MSA is among the top 10 markets nationwide for percentage of Millennial renters who can now afford to buy, at 21.7%. In 2025, look to see many of these buyers step off the sidelines to take advantage of loosening inventory.

**Self-fulfilling consumer pessimism.** The Economist reported in the first weeks of 2025 that the core consumer price index (which removes volatile items such as food) had risen by 5.5 points, indicating that consumer behavior around expected policy consequences has driven inflation higher. This phenomenon also applies to housing: if consumers believe it is a bad time to buy a home, overcoming this sentiment can be an additional barrier to entering the market.

It will be important to continue addressing concerns around affordable housing through data and anecdotal examples while emphasizing stability and the long-term benefits of investing in real estate and home ownership.

**Net migration slowing slightly, but still substantial.** Local housing markets across East Tennessee continue to feel the effects of above-average net migration, driven by economic benefits, the region's reputation as a relatively low-cost area with no state income tax and a wealth of natural beauty. The newly released 2025 volume of An Economic Report to the Governor of the State of Tennessee from the University of Tennessee indicates that the state's population growth of 1.1% is twice the national average of 0.5%, mostly due to continued net migration.

Overall, migration focused on large metro areas in Middle and East Tennessee, with more modest growth in rural areas of East Tennessee. The report notes that 2022 and 2023 brought the highest levels of net migration in recorded history. Inside the state, Knox County ranks second at 5,289 new residents during this two-year period. In our East Tennessee region, Blount, Loudon and Anderson counties followed closely behind Knox, all with more than 1,000 new residents.

In contrast to the last several years of record highs, inbound migration has slowed slightly year-over-year with Knoxville dropping off the lists of top 25 inbound metros for both U-Haul and PODS in 2024. This slight decrease in migration should help mitigate the inventory crunch.

As shown in the table below, a disproportionate share of the inbound movers relocated to East Tennessee from larger MSAs with a substantially higher cost-of-living. This dynamic was especially pronounced in more rural, outlying areas where both home prices and incomes were especially low going into the pandemic.

**East Tennessee Migration Trends: Where Are Movers Coming From and Going To?**

Top Origin Metros	Top Destination Metros
Morristown, TN	Nashville, TN
Nashville, TN	Chattanooga, TN
Riverside, CA	Atlanta, GA
Chattanooga, TN	Kingsport-Bristol, TN
San Diego, CA	Johnson City, TN

*Source: East Tennessee REALTORS®, U.S. Census Bureau, Realtor.com®, AEI Housing Center*

Although housing demand from newcomers has significantly increased in recent years, data indicate a sizable majority of homebuyers continue to be locals who are buying and selling within the East Tennessee region. Although the region continues to experience positive net migration – meaning the number of people moving to the region exceeds the number moving away – U.S. Census data indicate the overall moving rate has continued to decline.

## Peer Cities Comparison

Among comparable cities with similar market characteristics (geographic, demographic, economic, etc.), Knoxville is well-positioned to outperform its peers in 2025. Strong growth and a lowered violent crime rate should help bolster Knoxville’s housing market, while below-average housing affordability and decelerating wage growth are risks to watch.

Chattanooga, TN	Durham, NC	Greenville, SC	Knoxville, TN	Nashville, TN	Raleigh, NC	Winston-Salem, NC	United States
<b>Home Price Growth (Q4 2023-Q4 2024)</b>							
18.20%	-2.50%	-5.60%	<b>6.60%</b>	5.00%	-1.10%	8.70%	4.80%
<b>Share of renters who can afford to buy the median priced home</b>							
22.70%	18.90%	25.50%	<b>24.10%</b>	16.50%	20.60%	23.70%	15.10%
<b>Share of listings that first-time buyers can afford (2023)</b>							
16.00%	7.00%	15.00%	<b>11.00%</b>	5.00%	15.00%	18.00%	24.50%
<b>Job Growth (Dec. 2024)</b>							
2.20%	1.20%	0.80%	<b>2.10%</b>	1.30%	0.60%	0.00%	3.90%
<b>Wage Growth (Dec. 2024)</b>							
0.60%	-6.10%	0.00%	<b>-0.40%</b>	4.80%	10.40%	-5.70%	4.20%
<b>Share of out of state movers purchasing a home (2022)</b>							
36.00%	24.50%	22.50%	<b>23.60%</b>	19.50%	21.90%	20.60%	N/A
<b>Violent Crime Rate (2023)</b>							
484.9	424.5	447.9	<b>358.9</b>	556.9	267.4	460	363.8

Source: National Association of REALTORS®, U.S. Census Bureau, U.S. Bureau of Labor Statistics, FHFA, realtor.com®, FBI Crime Data Explorer (CDE) and East Tennessee REALTORS® analysis. Data presented is most recent available.

## About the Report

Published annually by East Tennessee REALTORS®, the Forecast Report offers a high-level analysis of the latest housing and economic data to and forecasts trends for the region's housing market to help REALTORS®, industry stakeholders, and policymakers better understand what to expect in the year ahead.

The content and insights presented in this report are for informational purposes only and are not intended to constitute investment advice.

### About East Tennessee REALTORS®

Founded in 1912 and evolving from the Knoxville Area Association of REALTORS®, East Tennessee REALTORS® has been serving the real estate interest of its members and the public for more than 100 years. The association comprises 12 counties in the region: Anderson, Blount, Campbell, Cumberland, Fentress, Knox, Loudon, Monroe, Morgan, Roane, Scott and Union. The purpose of East Tennessee REALTORS® is to unite and serve its members and to enhance the ability and opportunity of its members to conduct their business ethically, professionally and successfully and to promote the preservation of the right to own, transfer and use real property. For more information, visit [etnrealtors.com](https://etnrealtors.com).

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