

State of Housing 2025



**EAST TENNESSEE
REALTORS**

Where do we stand?

East Tennessee has just exited the pandemic roller coaster. The housing market is slowly normalizing. The frenzy is over, inventory is returning to the market, and healthy economic growth lies ahead.

But headwinds still challenge our housing supply and affordability...

STATE OF HOUSING

Economic Conditions
Labor Market
Housing Market
Rental Housing
Demographic Trends
Updated Market Forecast
Questions





ECONOMIC CONDITIONS

LABOR MARKET

HOUSING MARKET

RENTAL HOUSING

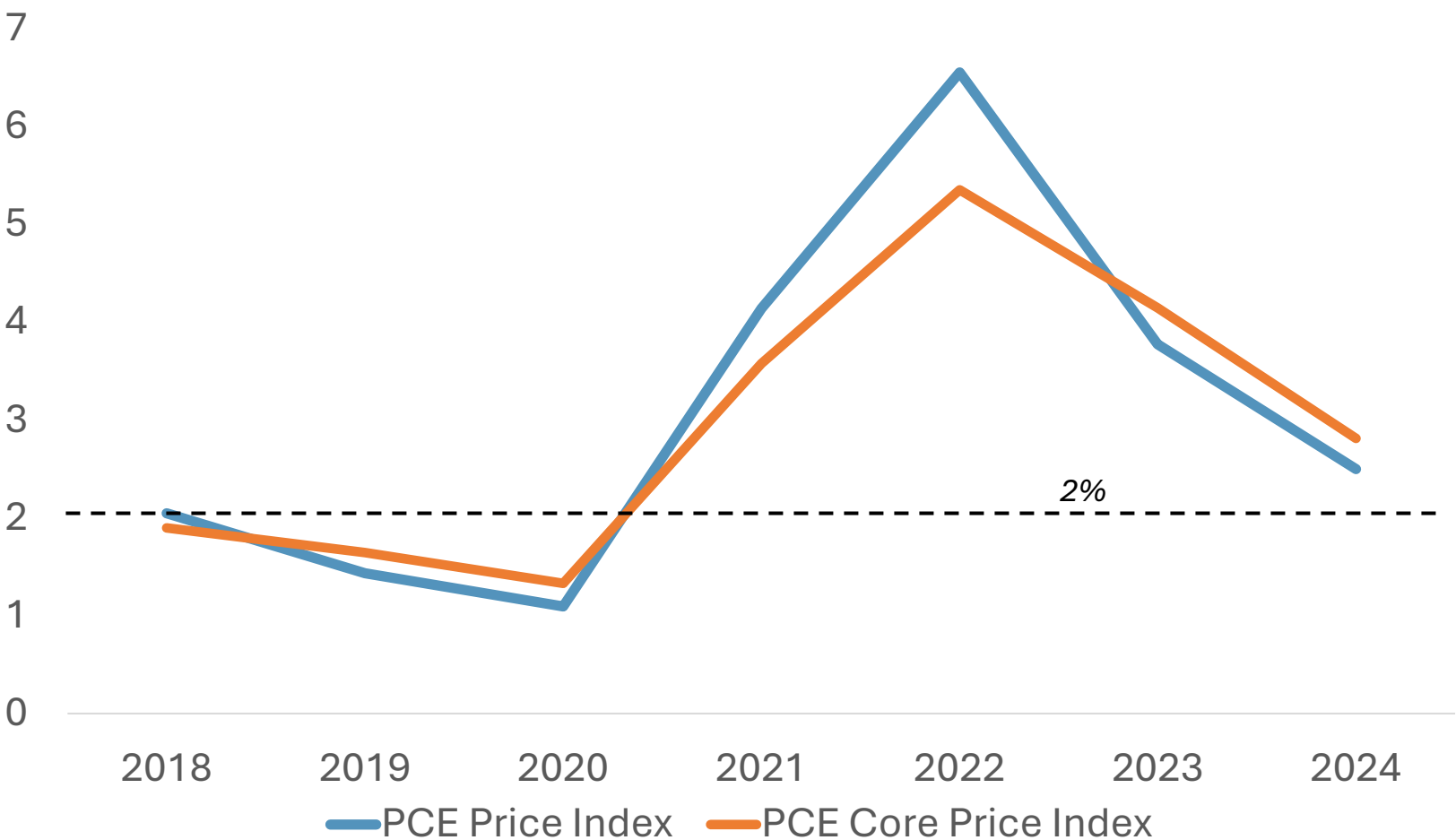
DEMOGRAPHIC TRENDS

UPDATED MARKET FORECAST

QUESTIONS

Inflation Cooling Toward Fed Target

PCE Price Index: Change From One Year Ago



The PCE Price Index is the Federal Reserve’s preferred measure of inflation.

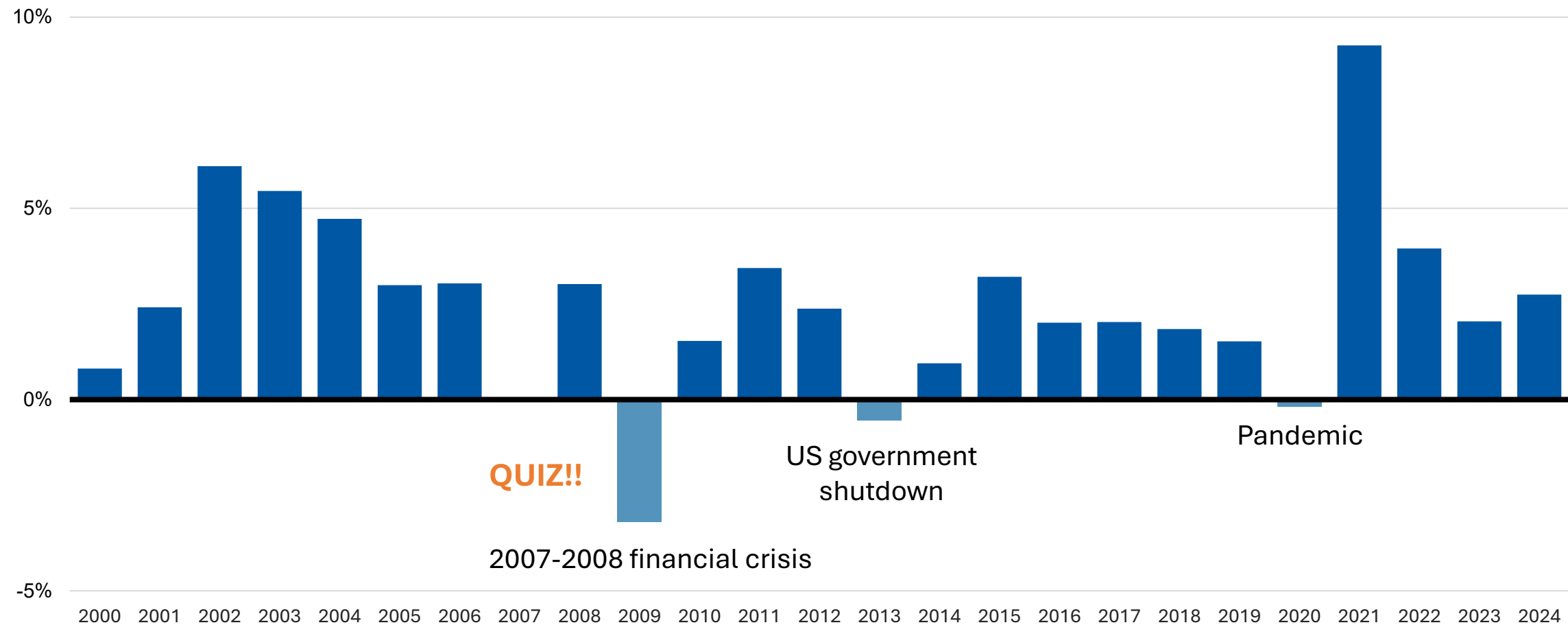
Core PCE—which excludes volatile food and energy prices—is generally considered a better measure of the trajectory of inflation.

Record inflation in 2022-2023 provoked strongest monetary policy tightening cycle in over 40 years.

Source: U.S. Bureau of Economic Analysis, ETNR’s calculations

Inflation-Adjusted Economic Output Stabilizes

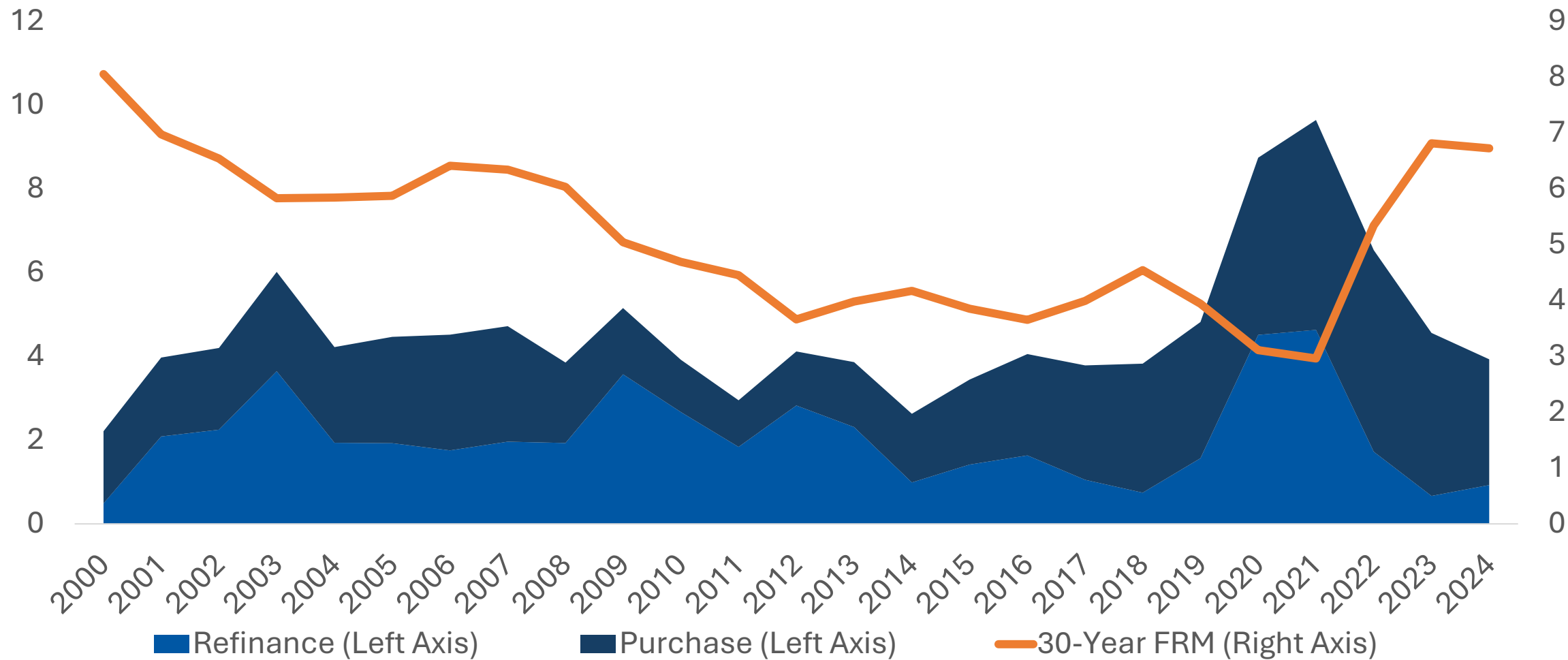
Annual Change in Real Gross Domestic Product (GDP): Knoxville, TN Metro



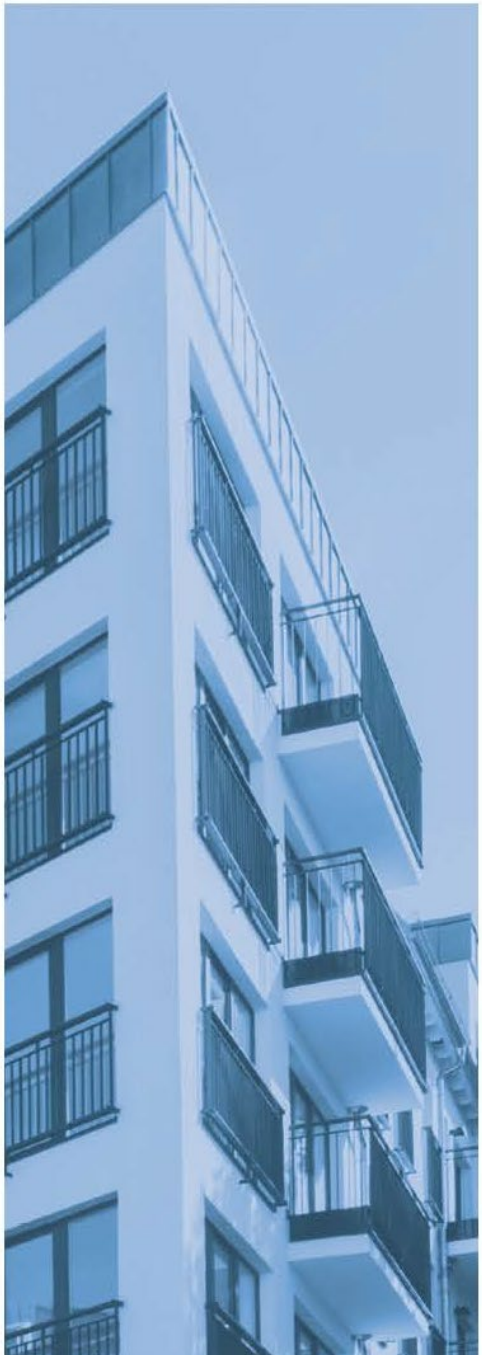
Source: U.S. Bureau of Economic Analysis (BEA); Moody's Analytics Estimated

Lending & Mortgage Trends

Mortgage Originations (Bil. USD, SAAR): Knoxville, TN MSA



Source: Home Mortgage Disclosure Act; Freddie Mac; Moody's Analytics



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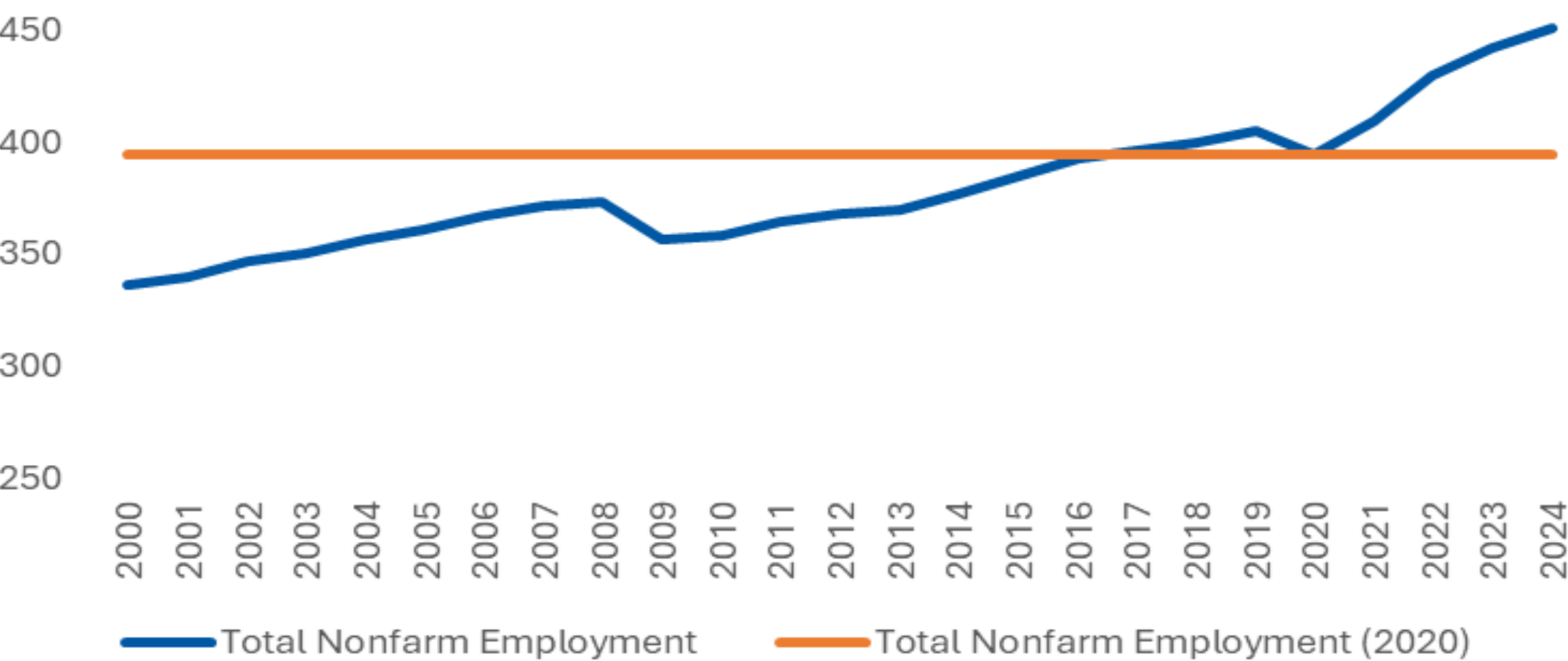
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Labor Market Continues to Grow

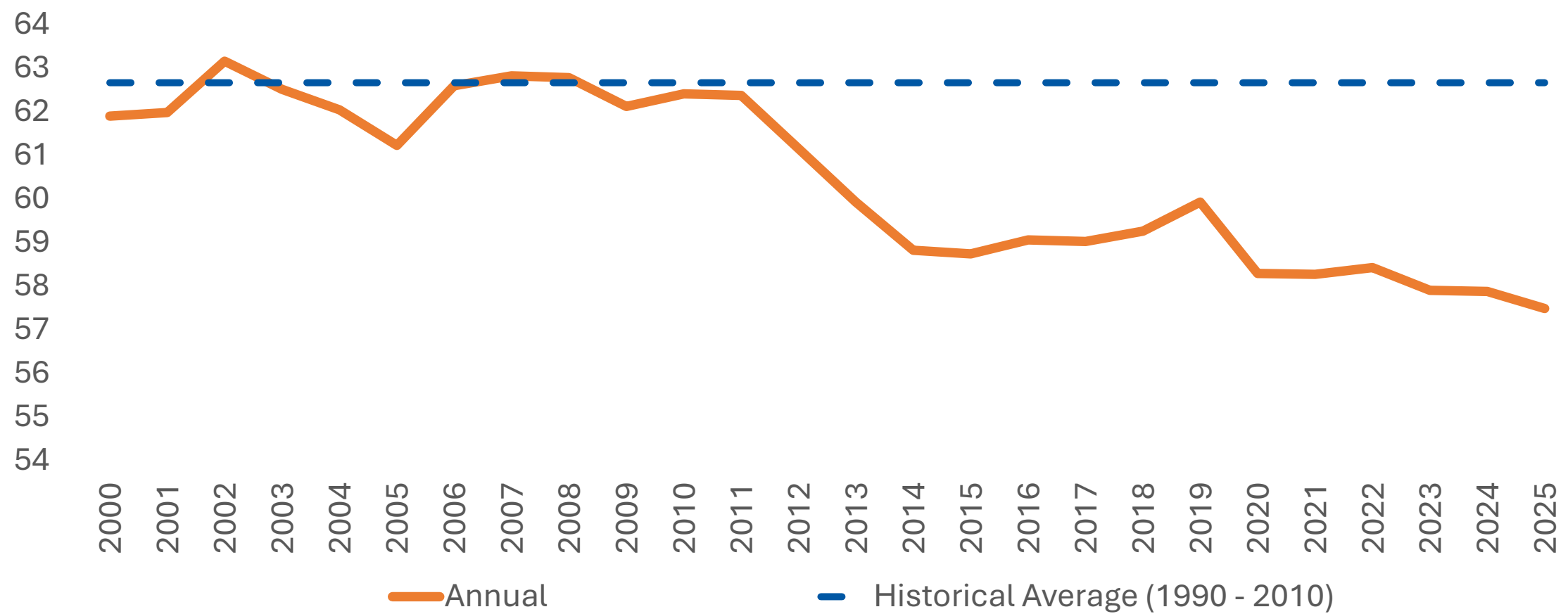
Total Employment, Thousands of Persons: Knoxville, TN MSA



Source: U.S. Bureau of Labor Statistics (data as of January 2025)

Workforce Participation Well Below Historic Norm

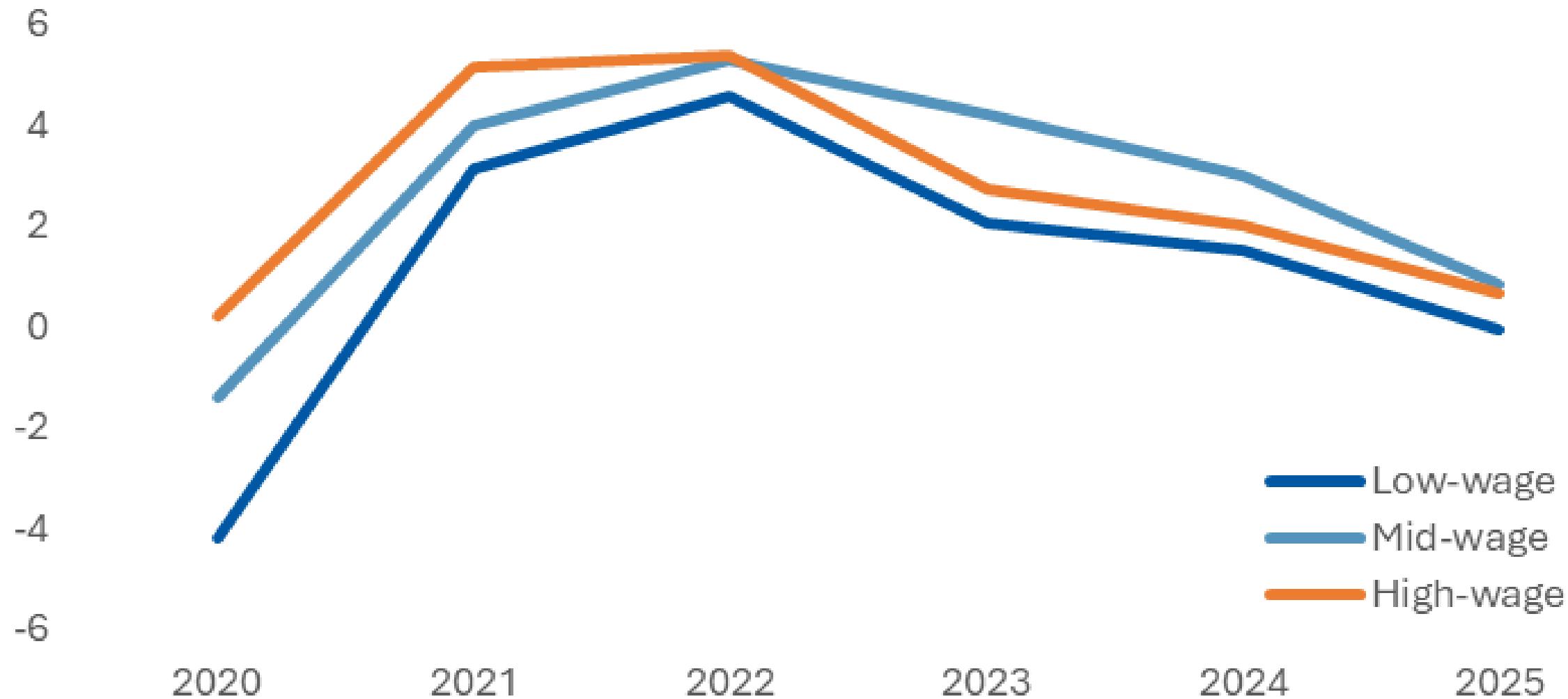
Percent of labor force participating in the workforce: Knoxville, TN MSA



Source: U.S. Census Bureau

Higher wage jobs outpace mid and low-wage jobs

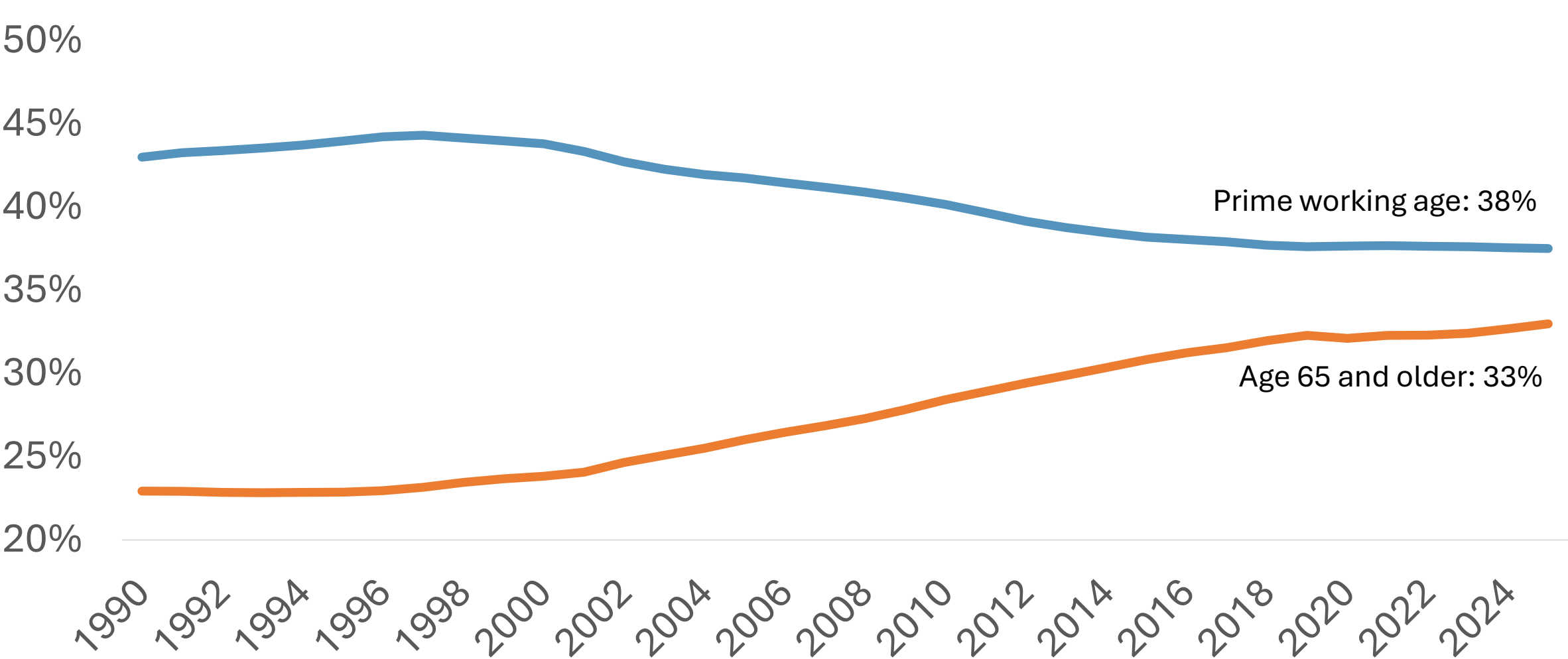
Total Employment, Thousands of Persons: Knoxville, TN MSA



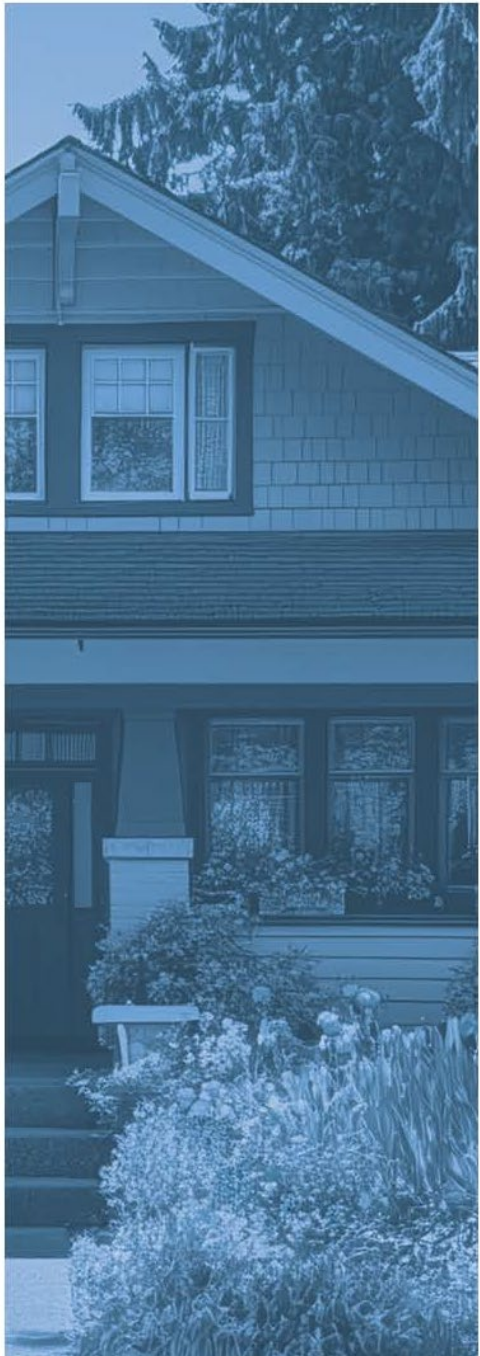
Source: U.S. Bureau of Labor Statistics (data as of January 2025)

Demographics Changing, Labor Force Challenges Lie Ahead

Share of Total Population: Knoxville, TN MSA



Source: U.S. Census Bureau; Moody's Analytics Estimated and Forecasted



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What Happened in 2024?



Total residential home sales began trending positively for the first time in two years, with 1.8% growth.



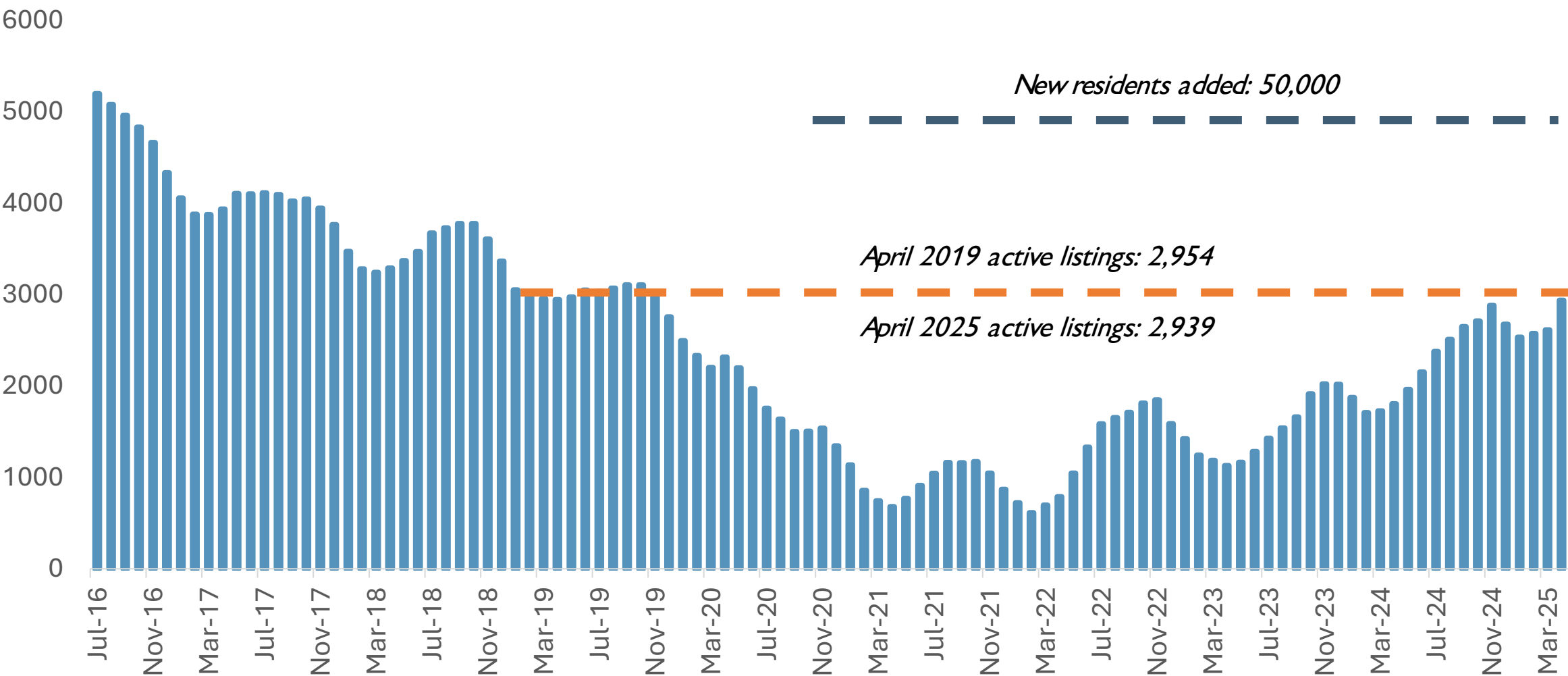
Home prices increased 12% in 2024, with the steepest increases in outerlying counties.



Active inventory began to trend upward at the end of the year, reflecting economic optimism post-election.

Housing Inventory Finally Recovers to Pre-Pandemic Level

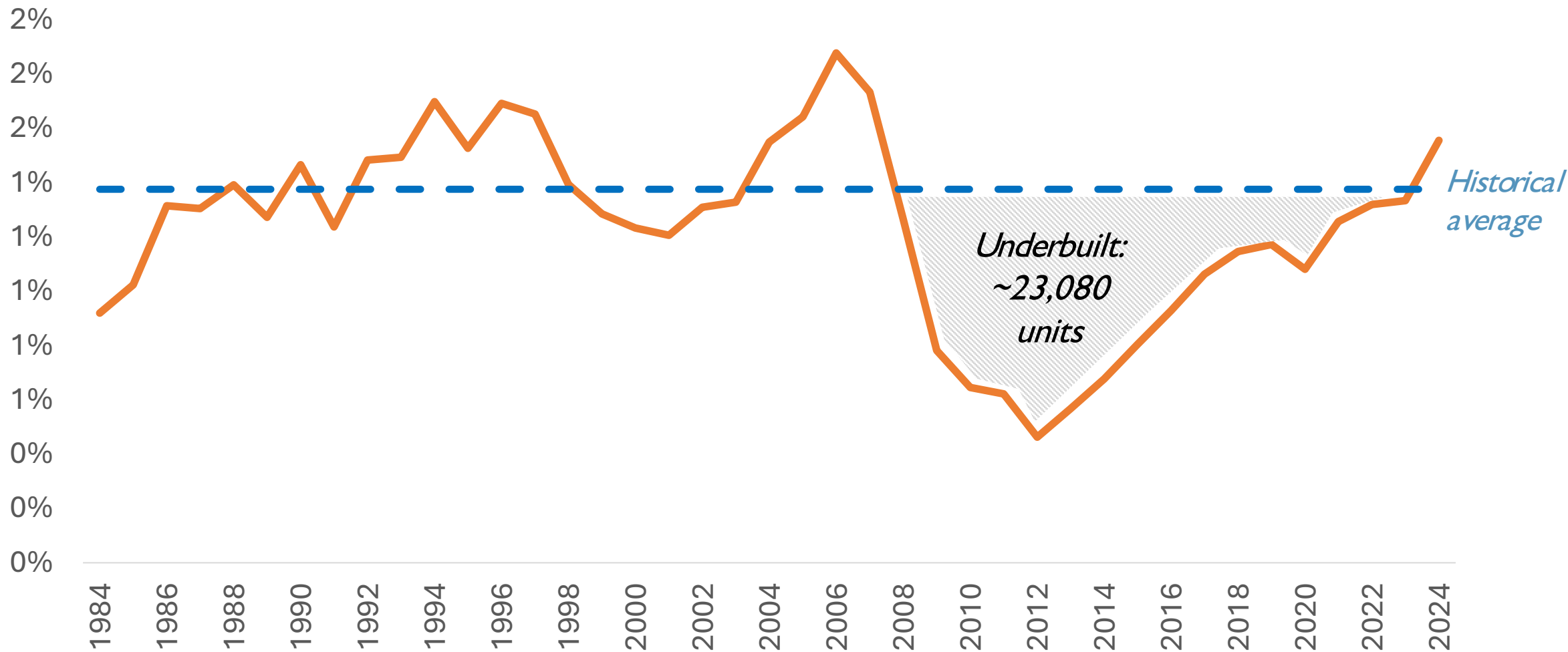
Active Listings: Knoxville, TN MSA



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

Underbuilding from 2009-2024

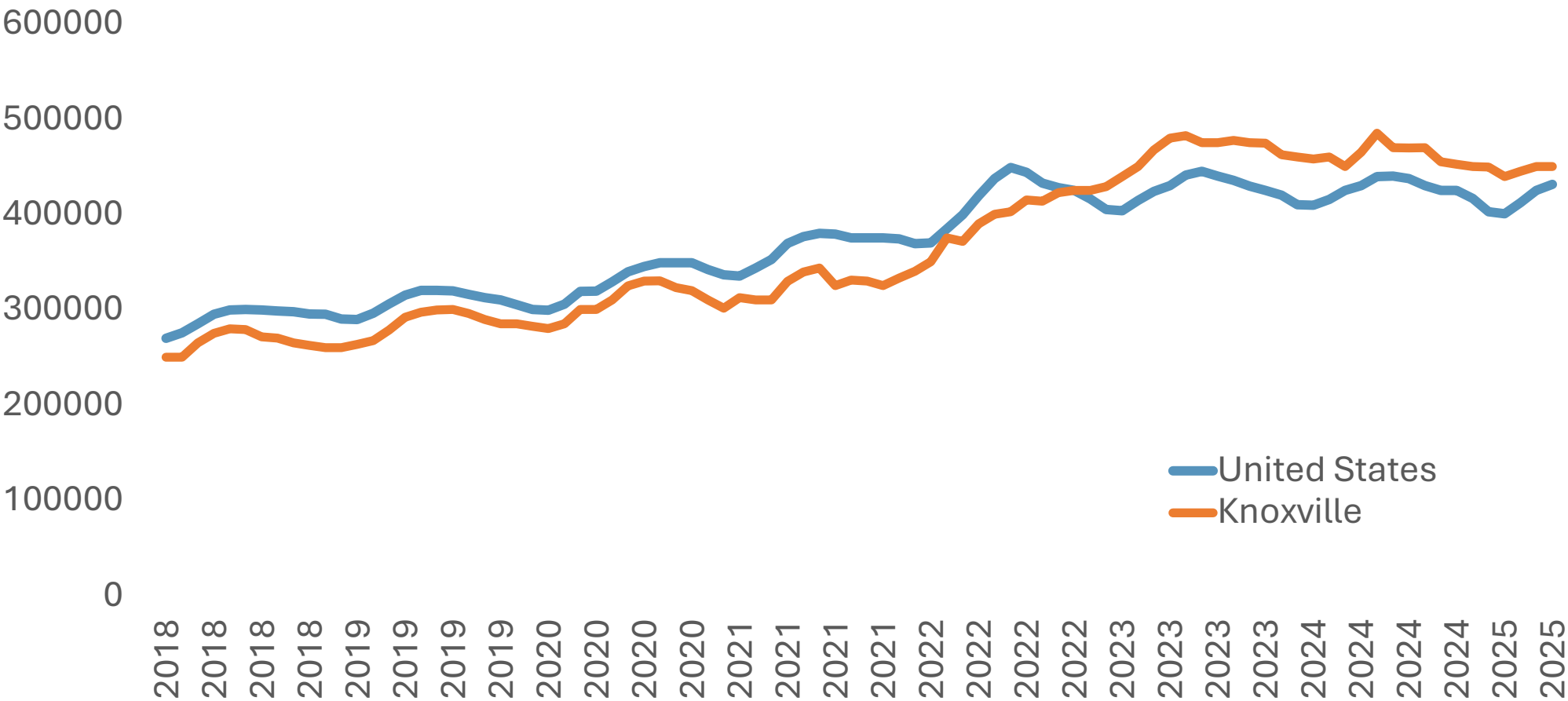
Housing completions as percentage of total households: Knoxville MSA



Source: U.S. Census Bureau (BOC): New Residential Construction; Moody's Analytics Estimated and Forecasted

Home Prices and List Prices Outpace National Average

Active Listings: Knoxville, TN MSA



If your East Tennessee home was valued at **\$250,000** in 2020...

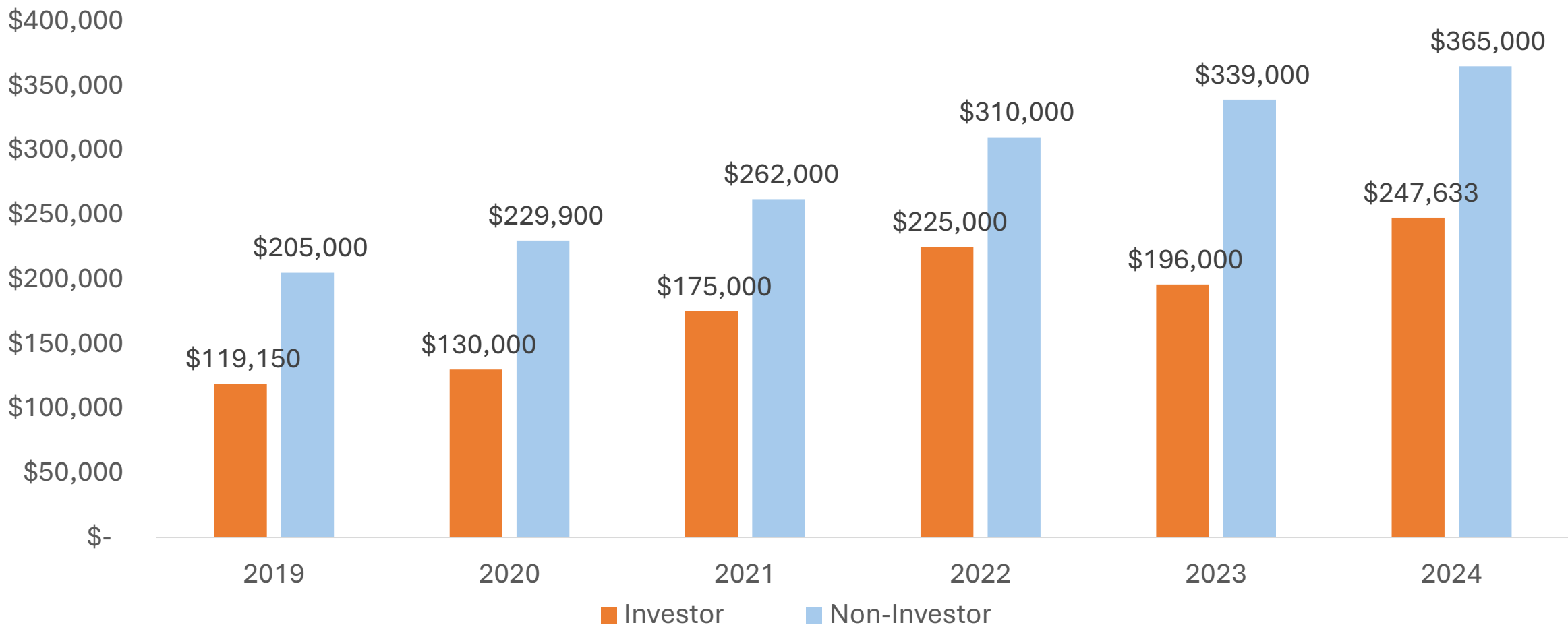


It would now be worth **\$430,000** in 2025.

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

Investor Purchases Had Little Effect on Home Prices

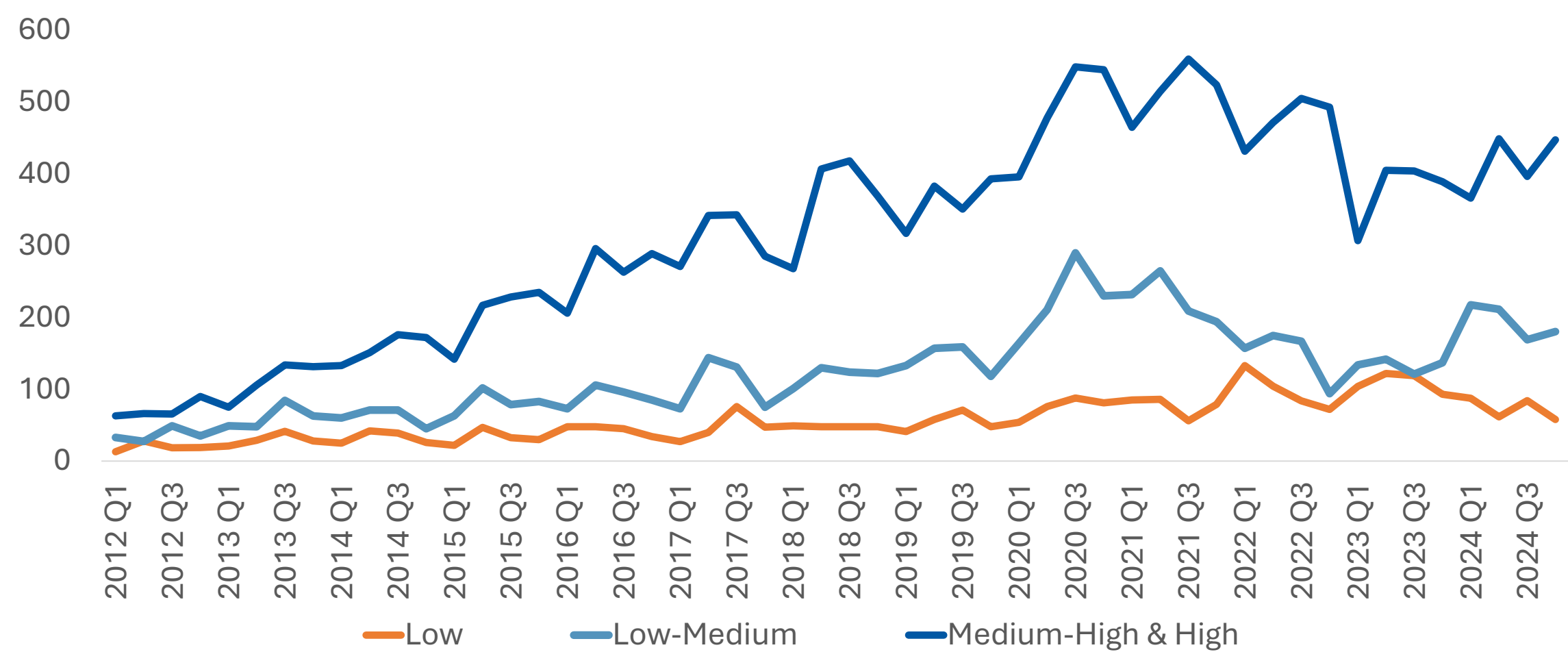
Share of home sales purchased by an investor vs. purchased in cash; Knox County



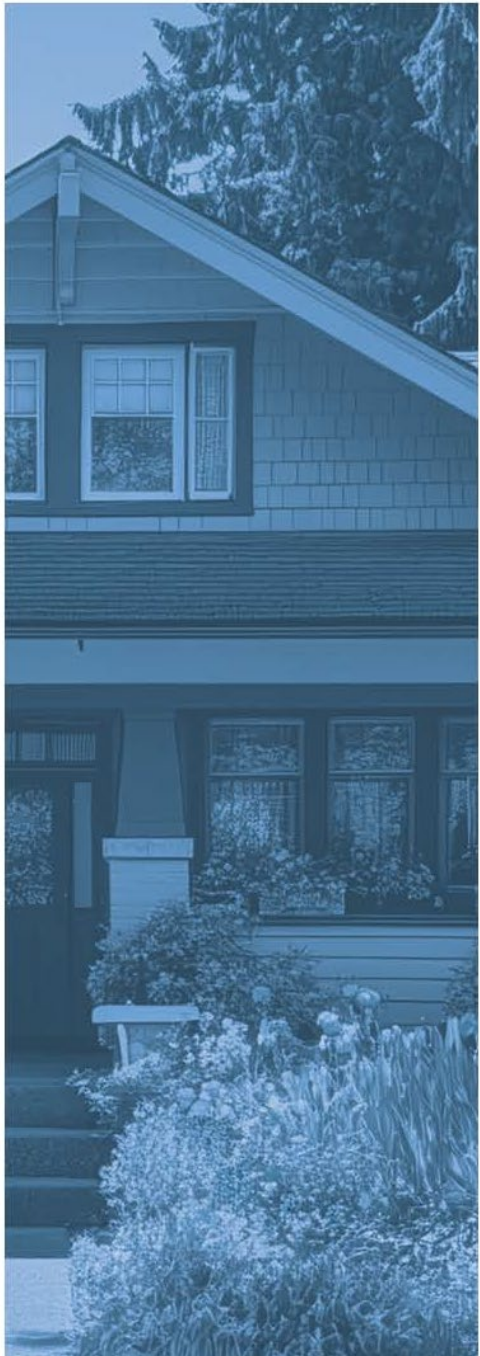
Source: ETNR Analysis of Public Records

Homes Are Getting Bigger and More Expensive

New Construction Sales By Price Tier: Knoxville MSA



Source: AEI Housing Center



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AFFORDABILITY

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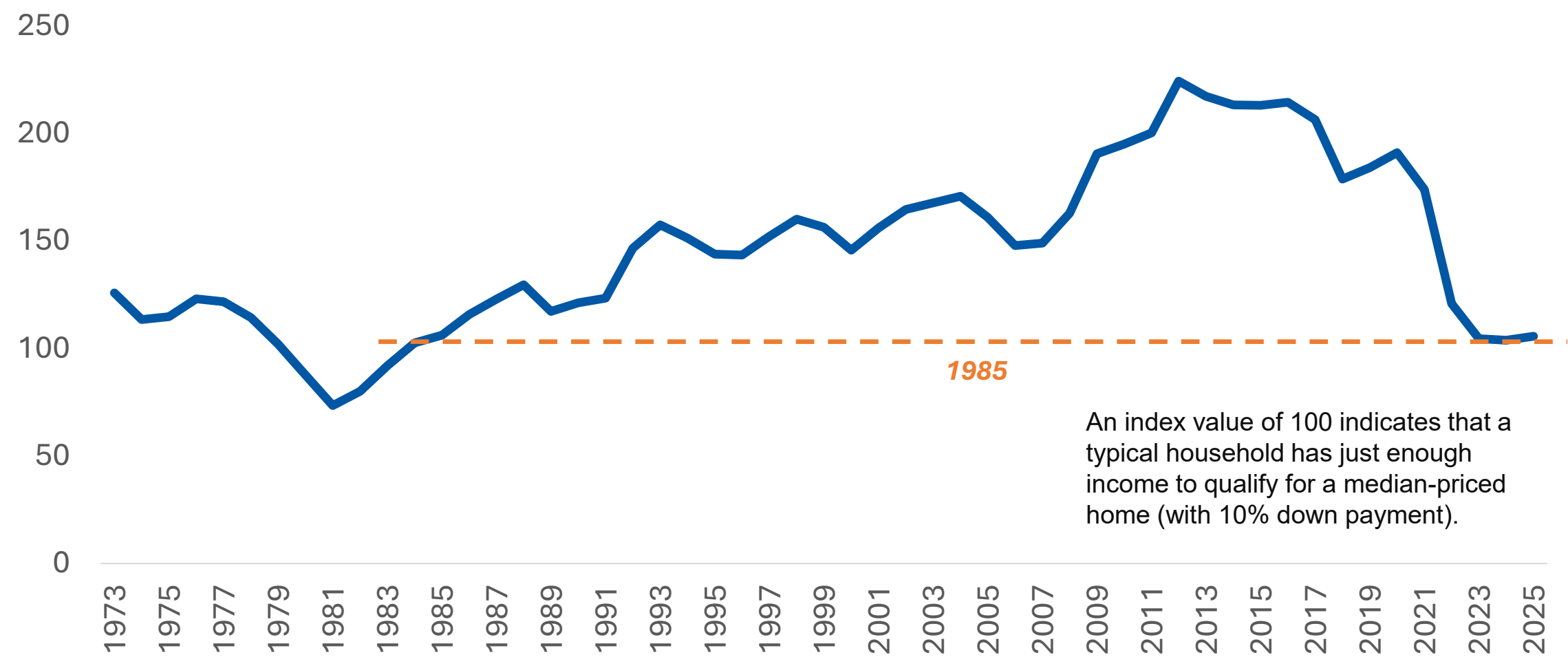
DEMOGRAPHIC TRENDS

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Housing Affordability Remains At 40-Year Low

Housing Affordability Index: Knoxville MSA



Source: National Association of REALTORS®: Real Estate Outlook; Census Bureau; Bureau of Economic Analysis, Moody's Analytics

Housing Affordability Comparison

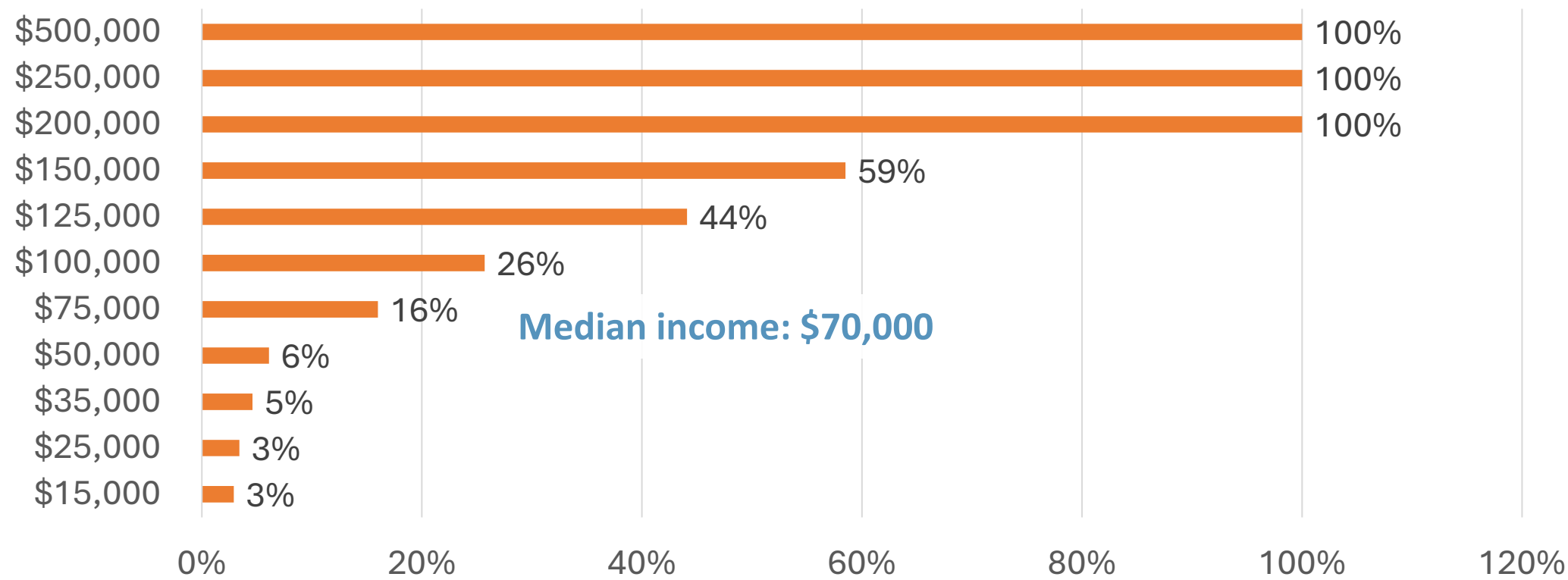
	2023	2024	CHANGE 2023-2024
Interest rates	6.61%	6.85%	0.24%
Median sales price	337,433	364,803	+27,370
Down payment & closing costs	43,866	47,424	3,558
Monthly principal & interest payment	1,941	2,151	210
Total monthly owner costs	\$ 2,336	\$ 2,577	\$ 242
Annual income needed	\$ 93,423	\$ 103,093	\$ 9,671

Source: East Tennessee REALTORS®

Note: Estimates assume a 10% down payment on a 30-year fixed-rate loan with zero points, 3% closing costs 0.5% property taxes, 0.4% property insurance, 0.558% private mortgage insurance, and a maximum 30% debt-to-income ratio.

Most Residents Can Only Afford Small Share of Listings

Share of listings affordable by income, April 2025: Knoxville MSA



Source: East Tennessee REALTORS®

Note: Estimates assume a 5% down payment on a 30-year fixed-rate loan with zero points, 3% closing costs 0.5% property taxes, 0.4% property insurance, 0.558% private mortgage insurance, and a maximum 30% debt-to-income ratio.

Most Residents Can Only Afford Small Share of Listings

Share of listings affordable by income, April 2025: Knoxville MSA

Based on the region's median household income of \$70,000, the maximum affordable home price is \$229,977.

Families making the median income could afford only 15% of active listings.

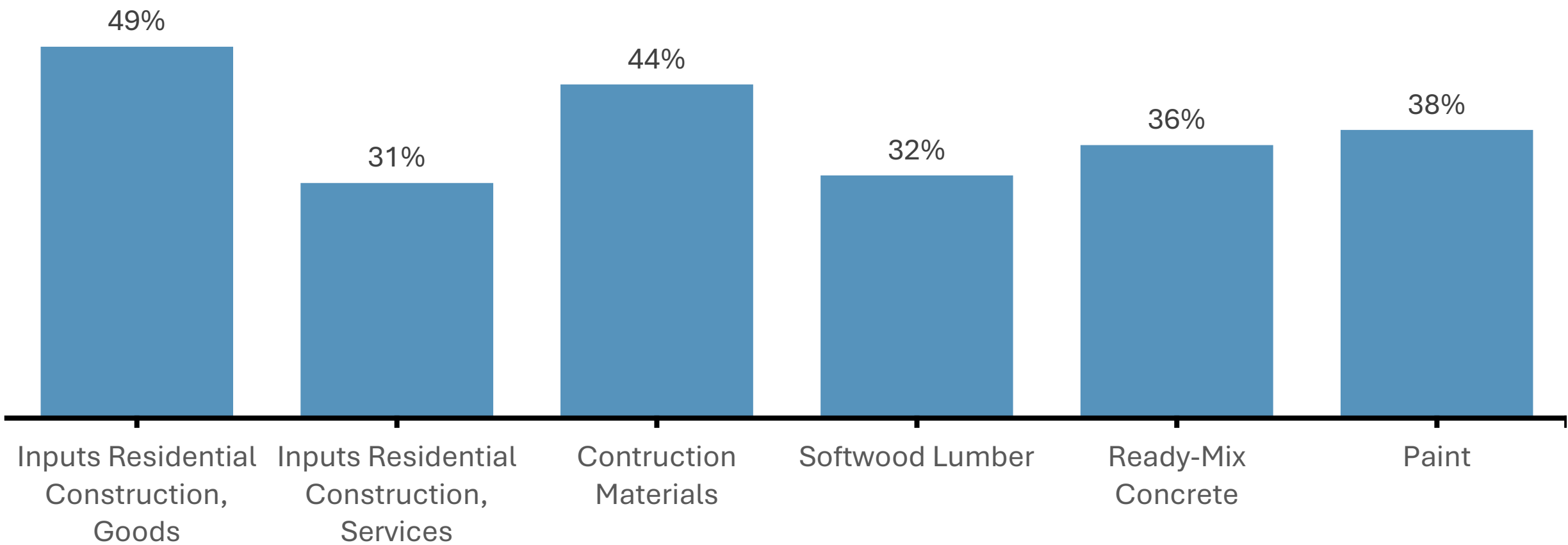
To afford just half of all homes for sale, a family would need to earn more than \$136,450... twice the median household income.

Source: East Tennessee REALTORS®

Note: Estimates assume a 5% down payment on a 30-year fixed-rate loan with zero points, 3% closing costs 0.5% property taxes, 0.4% property insurance, 0.558% private mortgage insurance, and a maximum 30% debt-to-income ratio.

Building Material Prices Remain Elevated

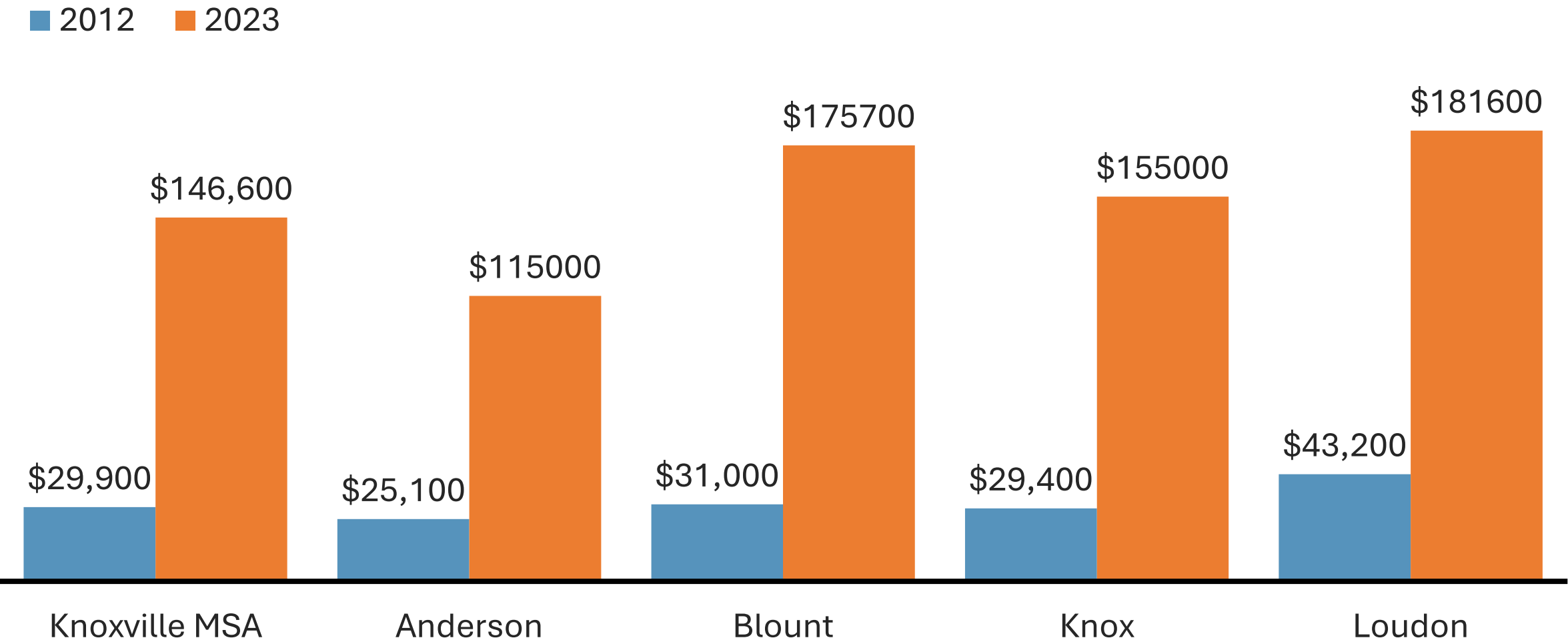
Change in price since 2020: Q4 2024



Source: Producer Price Index, U.S. Bureau of Labor Statistics

Land Costs Are Rising

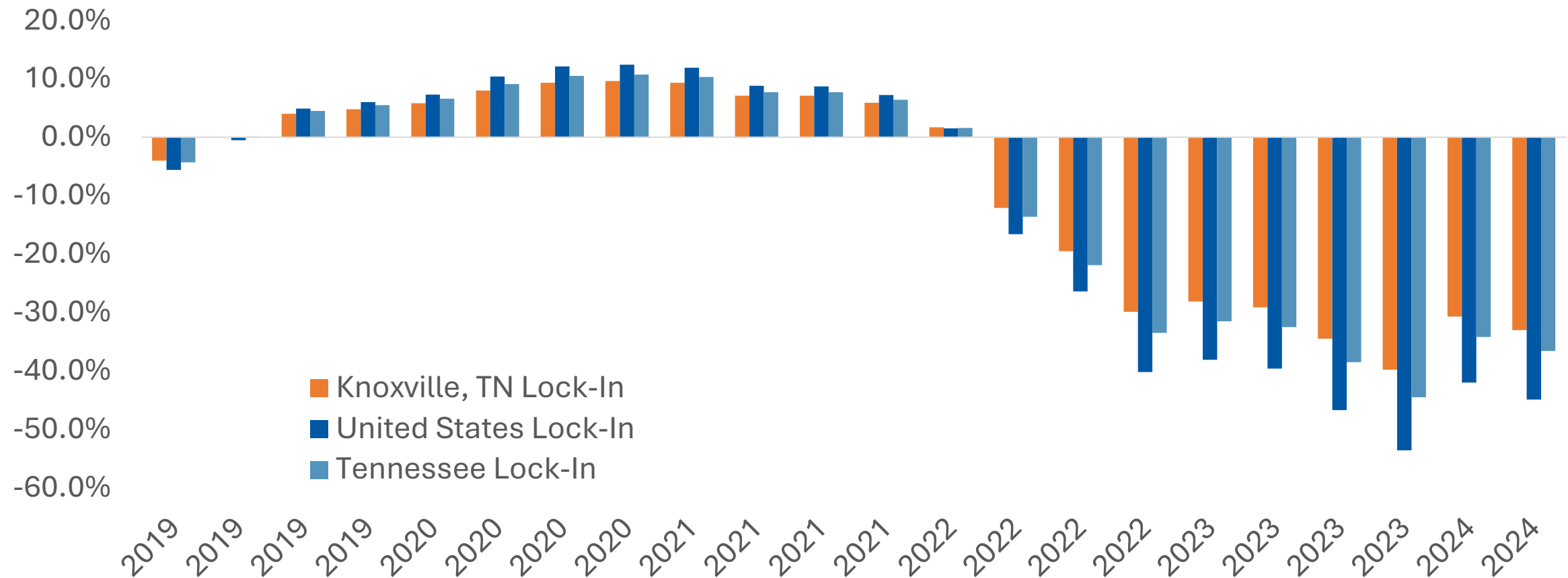
Average Value of ¼ Acre Lot (Standardized)



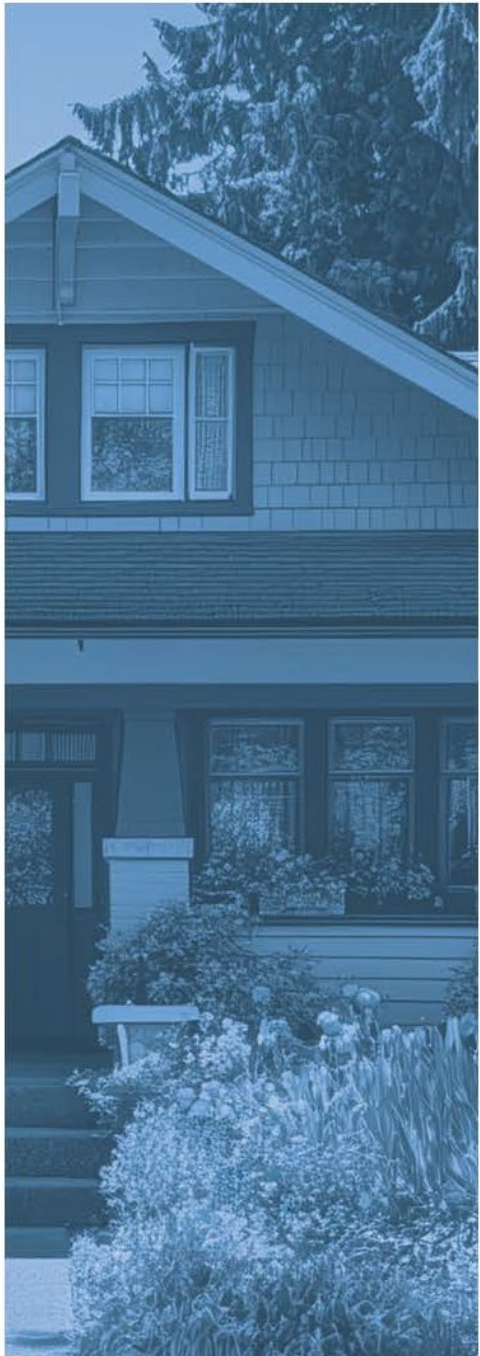
Source: AEI Housing Center

“Lock-In” Effect Is Waning

Change in number of 30-year mortgages with a rate of less than 4%



Source: Federal Housing Finance Agency, Q4 2024



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DISPARITIES

RENTAL HOUSING

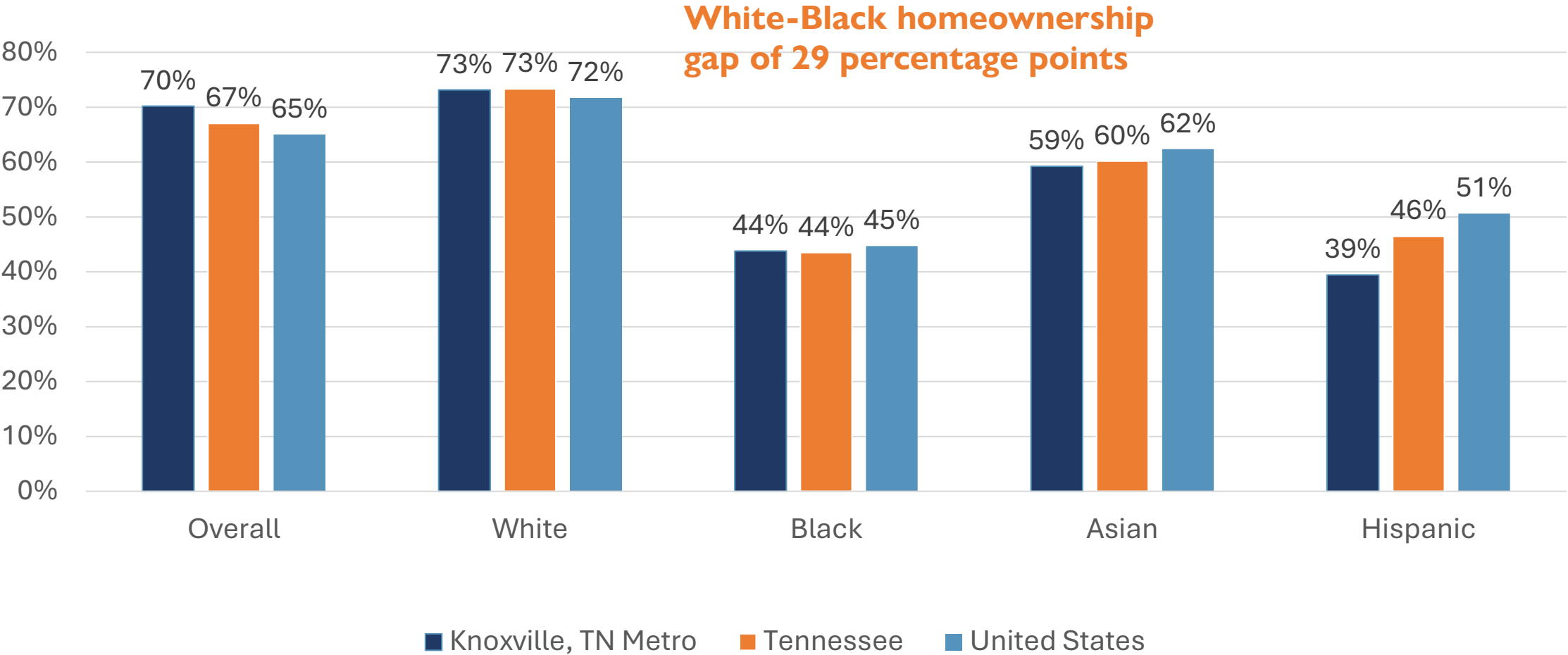
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QUESTIONS

Homeownership Disparities

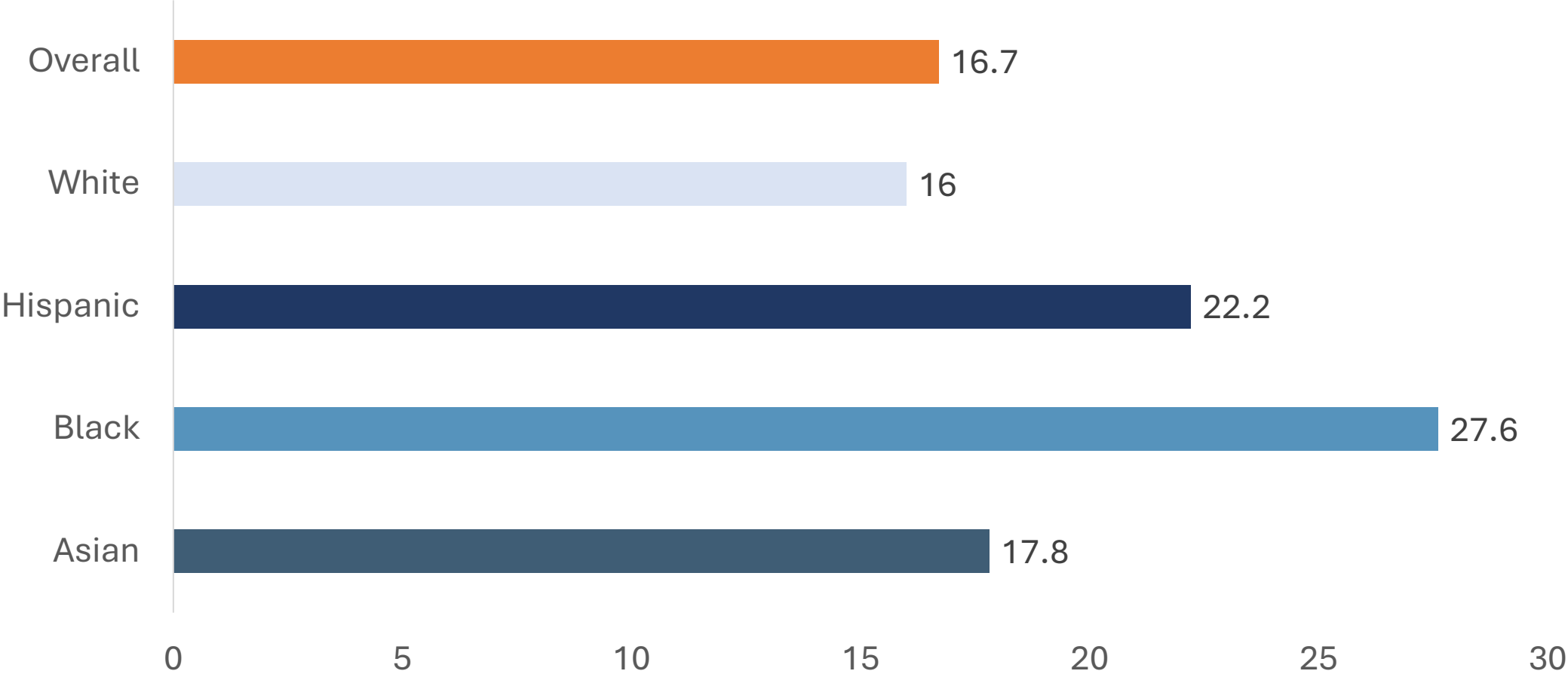
Homeownership Rate by Race/Ethnicity



Source: U.S. Census Bureau, 2023 ACS 5-Year Estimates

Uneven Access to Mortgage Credit

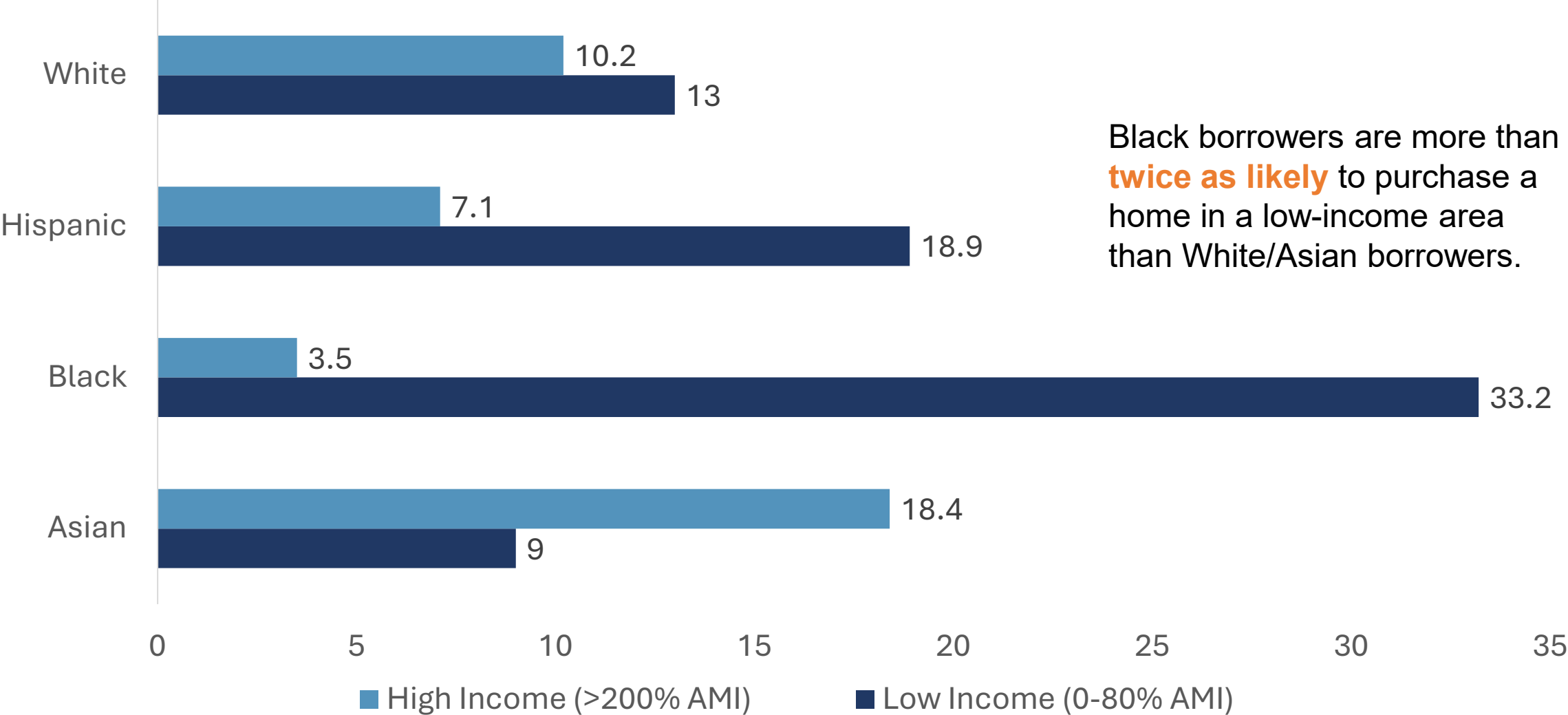
Mortgage Denial Rate Percentage by Race/Ethnicity: Knox County



Source: ETNR analysis of HMDA data for Knox County, TN

Affordability Challenges Limit Access to High-Opportunity Areas

Share of Mortgage Applications by Neighborhood Income Level



Source: KAAR analysis of HMDA data for Knox County, TN



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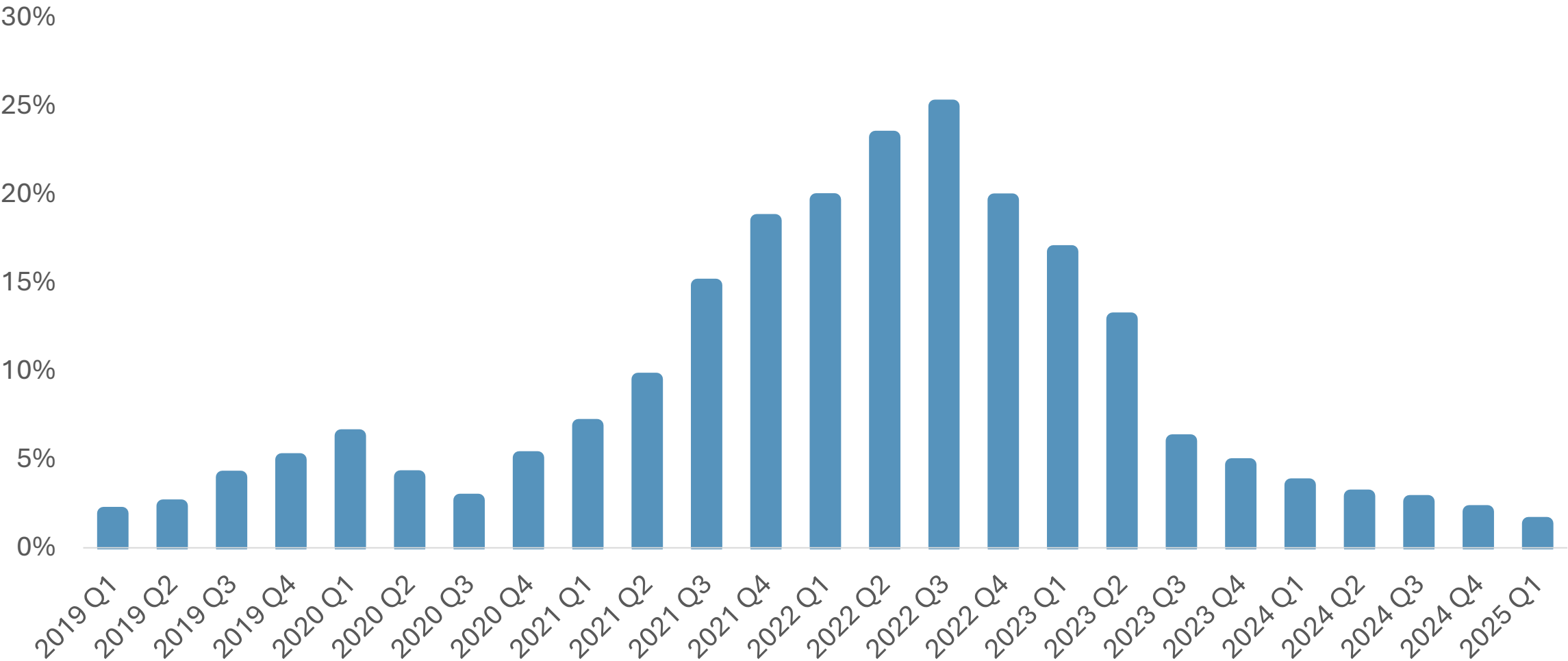
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Rents Flattened But Expected To Rise Again in 2025

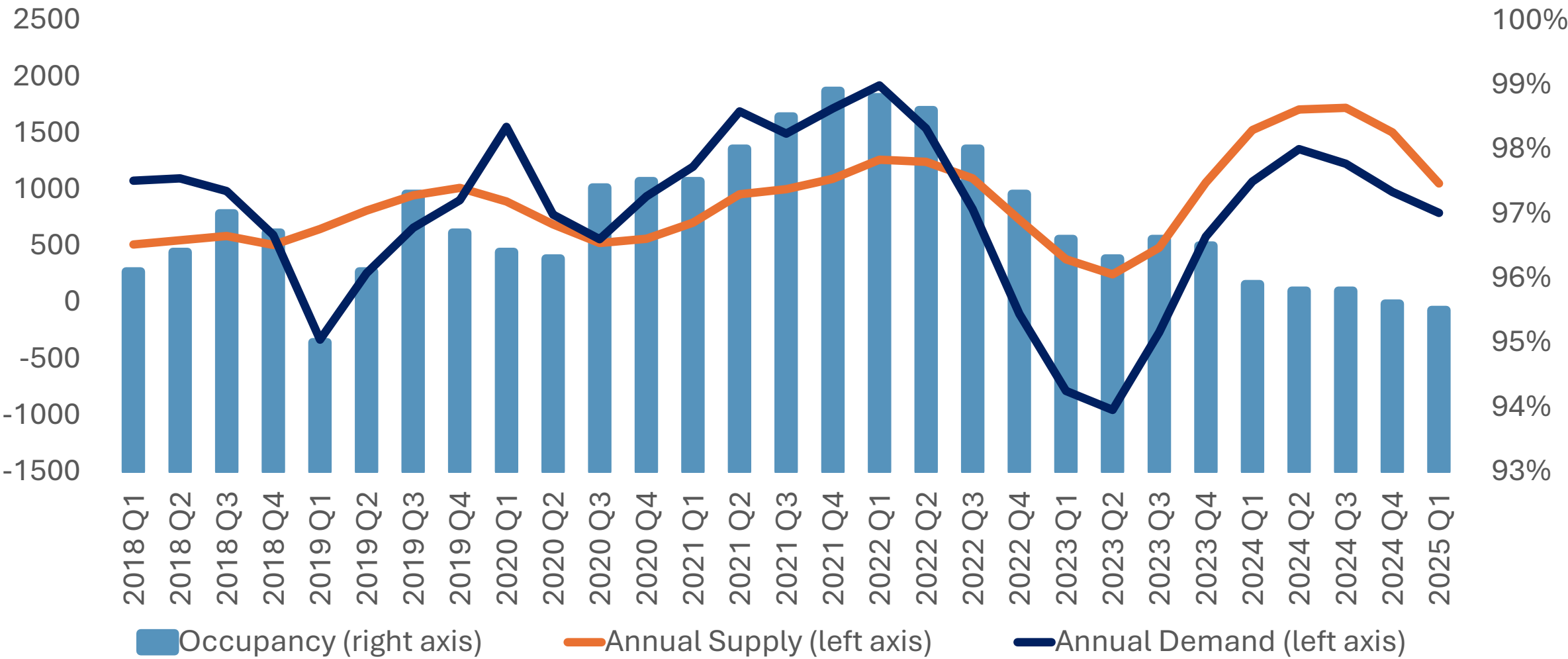
Year-over-year Change in Effective Rents: Knoxville, TN MSA



Source: RealPage Analytics

Undersupply, High Demand Pushed Up Occupancy Rates

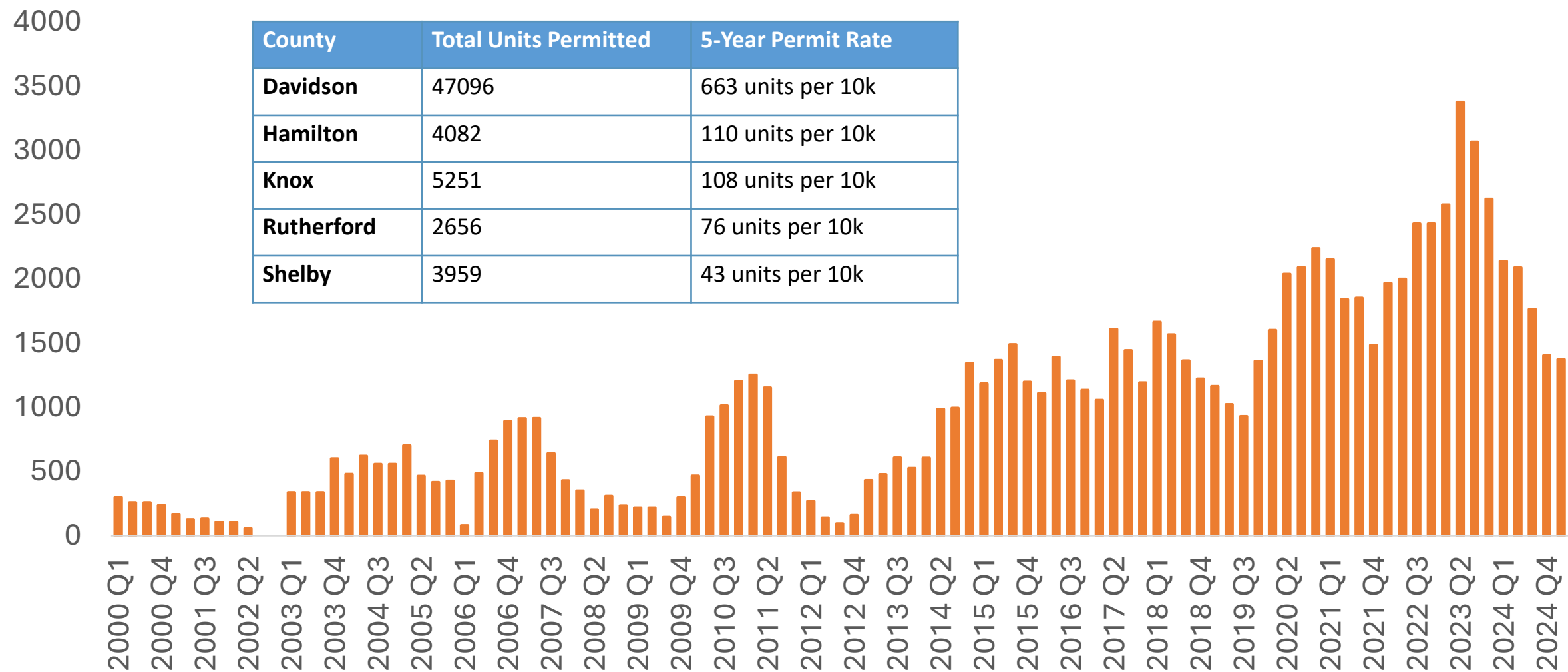
Knoxville, TN MSA

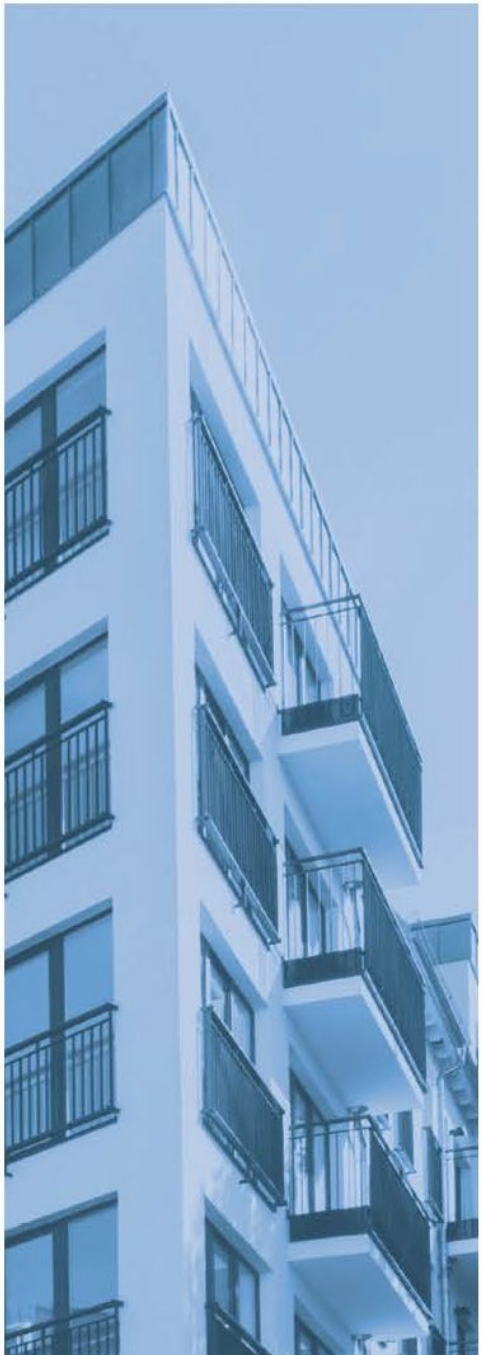


Source: RealPage Analytics

Pace of Multifamily Permitting and Completions Has Slowed

Apartment Units Currently Under Construction: Knoxville, TN MSA





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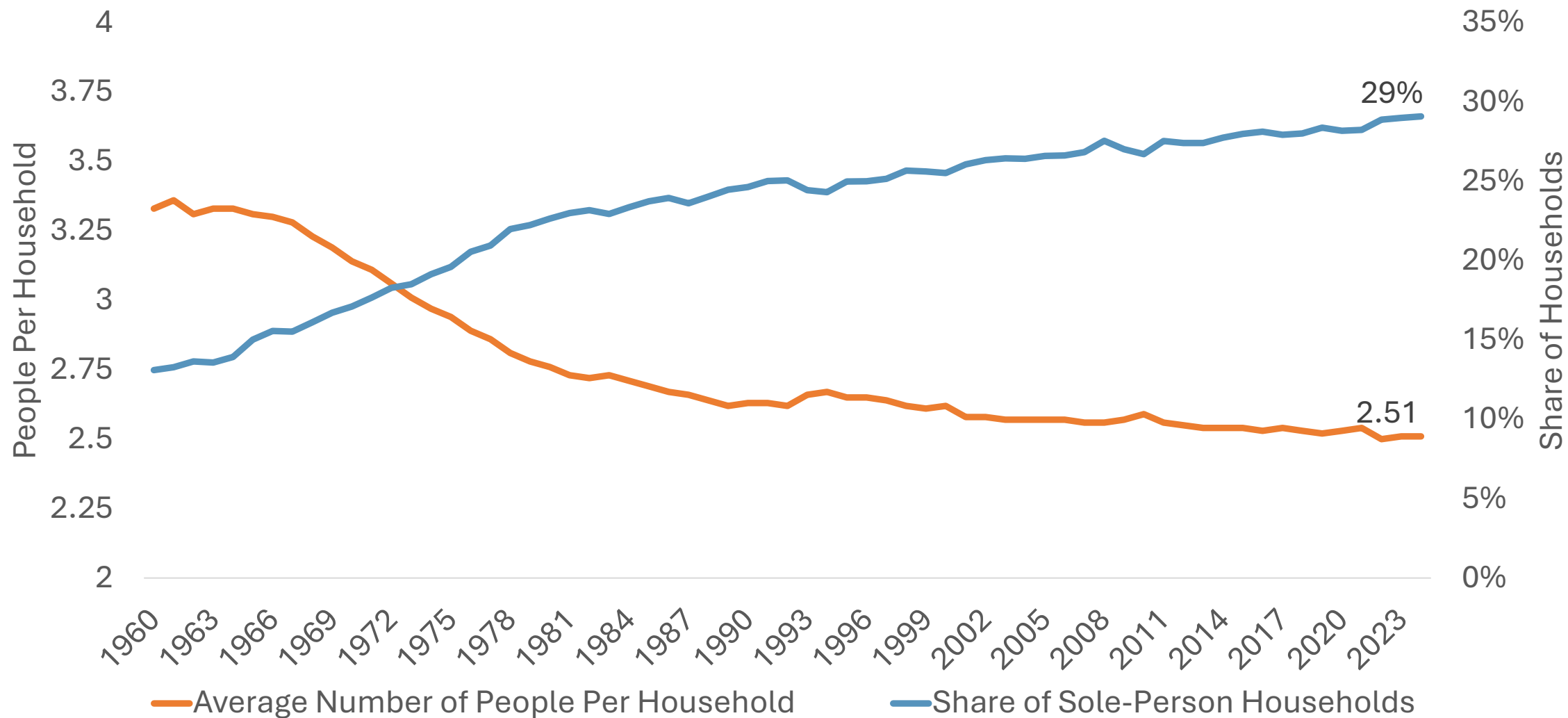
DEMOGRAPHIC TRENDS

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Household Size Has Been Declining Since 1960

Average Number of People Per Household and Sole-Person Households

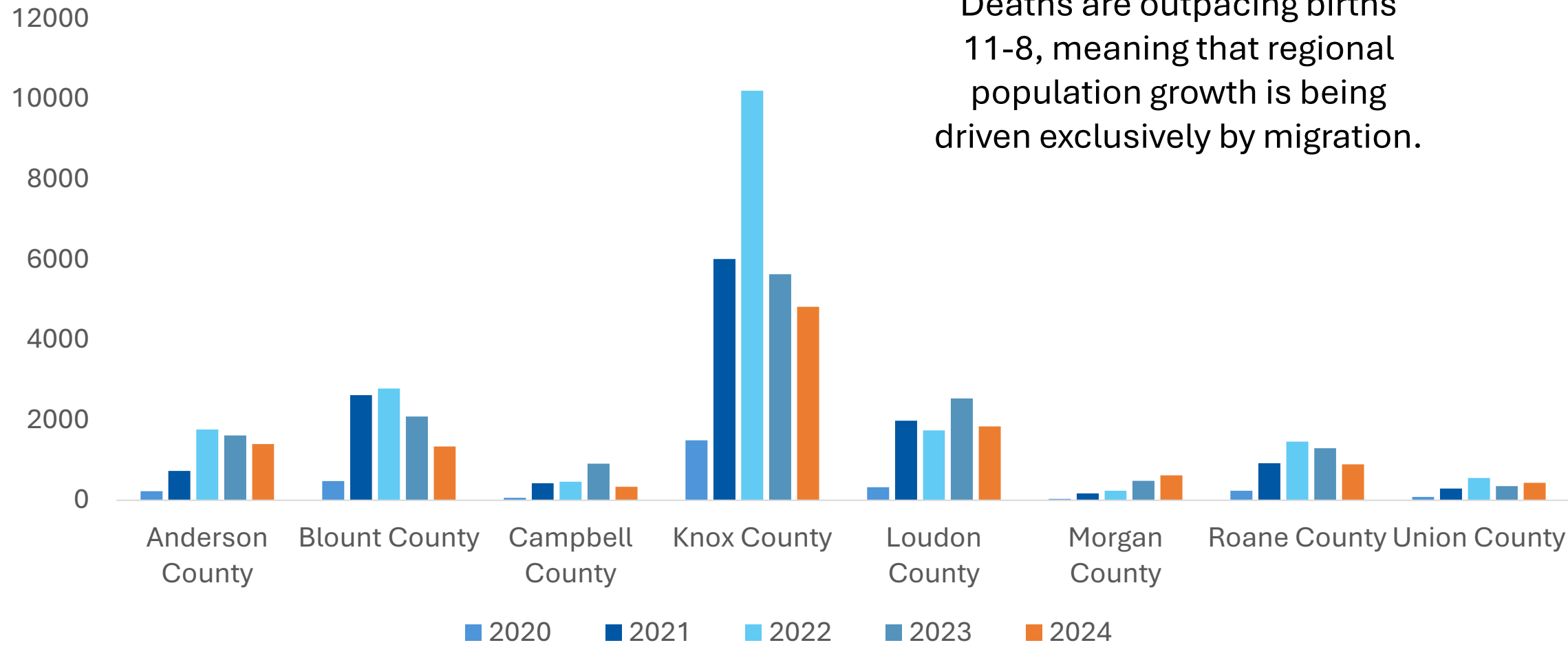


Source: U.S. Census Bureau, Current Population Survey, 1960 to 2024.

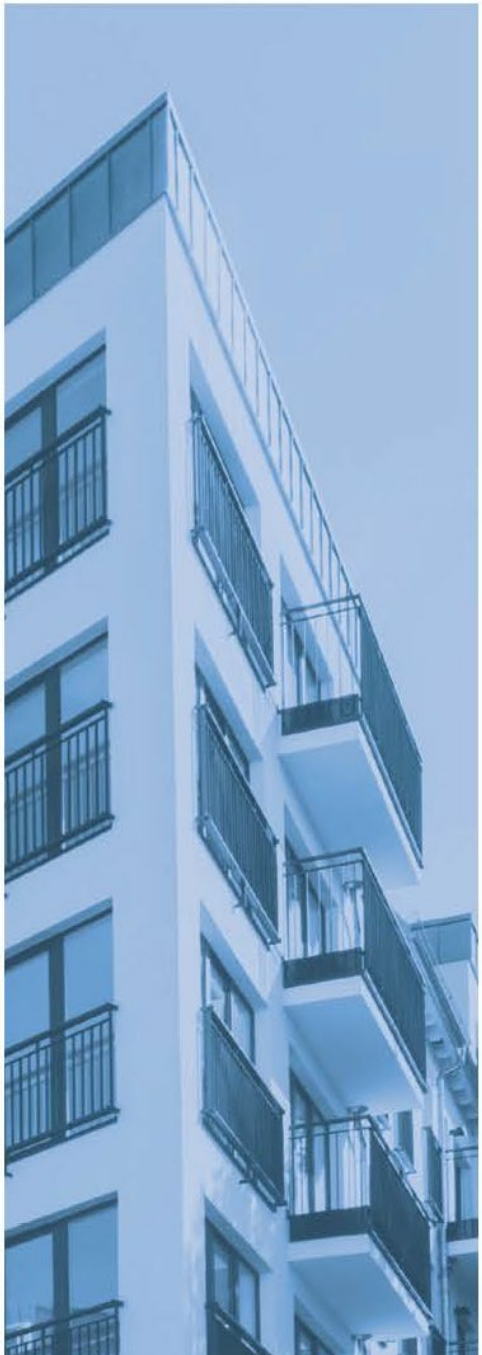
Migration Trends By County

Net Migration Since April 1, 2020

Deaths are outpacing births
11-8, meaning that regional
population growth is being
driven exclusively by migration.



Source: U.S. Census Bureau, Population Estimates Program



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2025 Housing Market Forecast

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

Revised: Total home sales are forecasted to **increase 6.1% from 2024**.

Rent growth is forecasted to stay steady, **increasing slightly by 3.5%**.

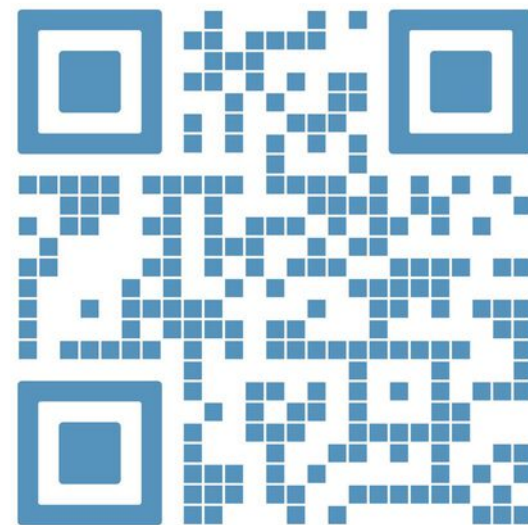


Our region stands at a tipping point.

We must urgently invest in our housing today
to support the growth and prosperity of tomorrow.



MARKET PULSE



STATE OF HOUSING REPORT



State of Housing 2025



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