Market Pulse

By East Tennessee Realtors®

STATE OF HOUSING

Table of Contents

A Message from the President

The first half of 2026 has brought plenty of change, along with new opportunities and a fresh perspective. Through it all, one thing has remained constant: our people. Watching our members adapt, serve, and continue showing up for their clients and communities has been inspiring. It's a reminder that no matter what the market is doing, this business has always been about people.

Relationships are at the heart of everything we do. REALTORS® don't just work in our communities, we're part of them. We celebrate milestones with our clients, support our neighbors, volunteer alongside friends, and help people find a place to truly call home.

Over the past several years, our members navigated one of the toughest housing markets we've seen by staying focused on what matters most: building trust, offering expertise, and caring for the people they serve. As the market began to recover this spring, they were ready to help their clients take the next step with confidence.

As East Tennessee continues to grow and welcome new opportunities, I hope we also continue making room for one another. Growth is about more than new businesses or new development. We must create communities where people feel connected, supported, and welcome. Each of us has a role to play in shaping the future of the place we call home.

That starts with understanding where we are today. In this 2026 State of Housing Report, we've taken a thoughtful look at the trends, challenges, and opportunities shaping our housing market. Our hope is that the information and insights in these pages will help members, local leaders, and policymakers make informed decisions that strengthen our communities for years to come.

Thank you for the work you do every day. Thank you for serving your clients with integrity, caring for your neighbors, and investing in the communities that make East Tennessee such a special place to live. Together, we can continue building a future where more people have the opportunity to put down roots, build connections, and find a place to call home.

Angel P. Scott

Angel Scott

2026 President

East Tennessee REALTORS®

State of Housing Overview

At the end of 2025, we looked forward to the following year with a new lens. Traditional wisdom need not apply in today's housing environment: Consumers have redefined resiliency as they evaluate risks, follow global influences on our market, and evolve the shape of the home that comprises their American Dream.

December of 2025 was a perfect example of this phenomenon. A brief respite for mortgage rates led to a prolonged increase in sales and market movement. Once the floodgates opened, customers tossed up their hands and decided to join the fun. Since then, despite rates rising again, stubborn inflation and geopolitical headlines, the momentum in East Tennessee has not stopped.

This momentum has injected much-needed inventory back into the market, a welcome change for residents and for members of East Tennessee REALTORS®, who weathered several years of difficult circumstances with grace and steadfast professionalism.

In July of 2026, the 21st Century ROAD to Housing Act was passed: A landmark piece of legislation full of specific tools to support homeownership, affordability and access for Americans. More than just legislation, this marked a turning point where national leaders collectively turned their focus to housing, acknowledged the work to be done, and pledged to solve challenges as a team.

Throughout this report, signs of positivity emerge in the data as well. Slowing year-over-year growth rates should be viewed in context of the outlier rapid growth years of 2021-2023. In relation to historical norms, most economic and housing measures in 2025 indicate that the region has returned to a more typical healthy trend pattern.

Now, we must identify what proactive steps will assist the market in reaching equilibrium, on a timeline that allows all of the newest East Tennessee families to call our community home alongside existing residents.

We continue to be grateful for the solid foundation and stability of East Tennessee and its many resources and are dedicated to maintaining our vibrant environment through education, advocacy and collaboration with our neighbors.

Economic Conditions

East Tennessee's economy continues to outshine regional and national peers, growing steadily and broadly across multiple industries.

East Tennessee remains a highly desirable place to live, work, and play, adding residents at a 1.3% rate of growth in 2025. Expanding in alignment with Tennessee and at a rate more than double the national population growth, our community is well positioned for sustainable economic success.

Population growth will be a question for leaders to seriously evaluate. While the public is still discussing the population explosion of 2021-2023, those headlines are now outdated. The new challenge for the next decade will be ensuring that our economy stays vibrant even as population shrinks, which will require improved talent retention and a better match of skillsets to jobs.

The answer may not be to attempt to recruit more residents, as many municipalities are facing a shortage of resources to serve their newest neighbors now. State experts have discussed that our next frontier may rather be efficiency in productivity, as achieved by technological advances.

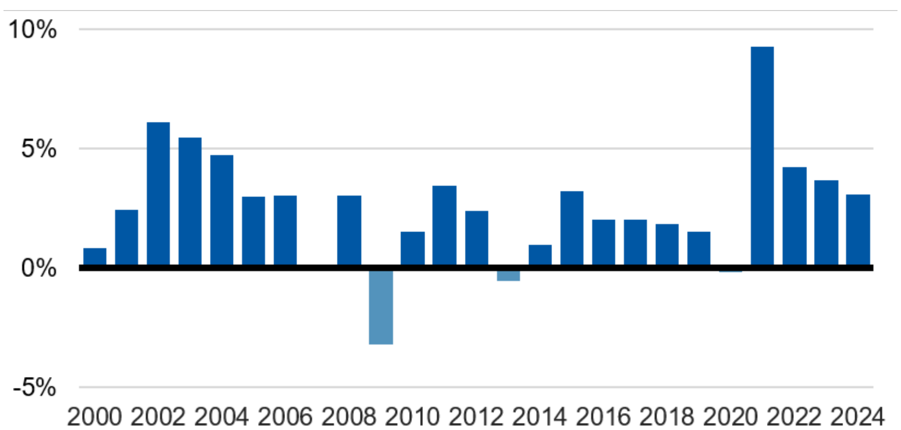
Whatever the ultimate solution, it is clear that decision makers at all levels must start from an aligned basis of fact and understanding of where we stand. We hope the following economic snapshot assists in that effort.

Economic Output

In 2024, the Knoxville Metropolitan Statistical Area's inflation-adjusted gross domestic product (Real GDP) grew by 3.1%, down from 3.7% in 2023 and 4.2% in 2022. In context with the outsized growth immediately post-pandemic, 3% is a healthy rate of stable growth at a more subdued pace.

Economic Output Shows Stable Growth

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



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.

Source: U.S. Bureau of Labor Statistics; Moody's Analytics Estimated
Note: The BLS has changed its real GDP reporting methodology for the 2024 release; may vary slightly from previous analysis.

Knoxville's GDP trend is aligned with Tennessee, growing in parallel and slightly outproducing the state (as is typical for growth metros). The University of Tennessee's Boyd Center for Business and Economic Research has predicted that the state's economy will continue to outpace the national economy in 2026 with GDP growth of 2.0%, slowing slightly in subsequent years.

Tennessee continues to make a strong showing in comparison to the national market. A recent National Association of REALTORS® analysis of labor data showed that Tennessee ranked 9th in the nation for highest job gains since 2020, at a 6-year growth rate of 7.9%.

Labor Market

East Tennessee's labor market continues to grow at a stable pace. While gains have slowed since the post-pandemic population boom, the steady increase from 2023-2025 indicates that the region is still expanding.

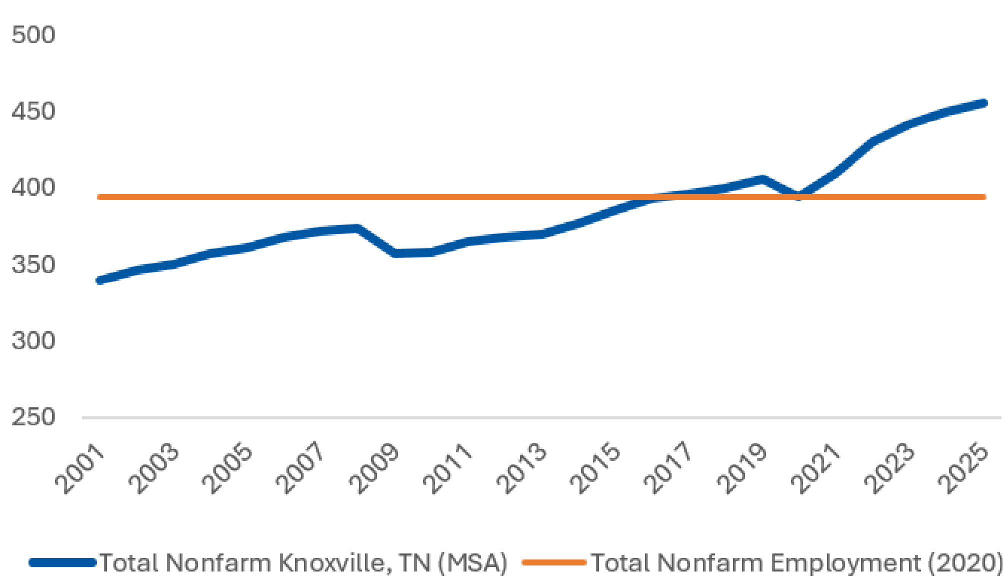
Nonfarm employment in Knoxville reached 455,200 in 2025, up from 449,700 in 2024 and 442,100 in 2023. Preliminary data for 2026 shows the increase on track to beat early estimates, with total employment rising to 458,500 as of May. However, Moody's Analytics has forecasted that pace to slow in 2027 to around 462,700 jobs. This echoes population growth as migration slows.

The unemployment rate in May of 2026 has dropped to 2.7%, lower than 3% last year, significantly outperforming the state and national rates. The state unemployment rate was 3.6% in May, and the U.S. rate was 4.3%.

The below graphic illustrates how quickly the regional labor market has bounced back post-pandemic and continues now on a flatter but steady growth trajectory.

Labor Market Growth

Total Employment, Thousands of Persons: Knoxville, TN MSA



Source: U.S. Bureau of Labor Statistics (data as of January 2026)

Another way to view the workforce structure is labor force participation, which calculates the share of working-age population that is working or actively seeking work. (These numbers do not include those who are registered for unemployment or otherwise not considered eligible for employment.)

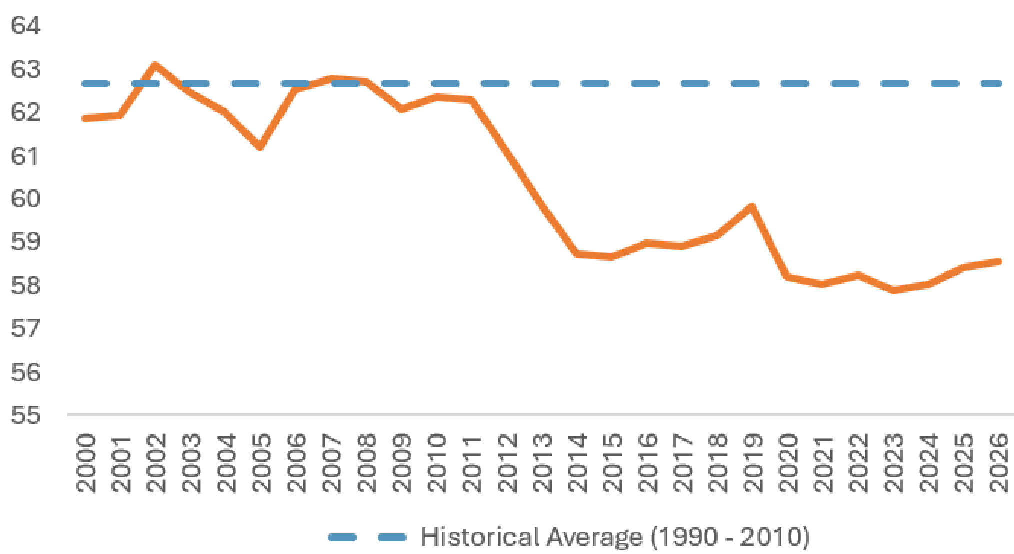
While the overall labor pool has increased alongside population, Knoxville's labor force participation is relatively flat, and it appears that there remain fundamental misalignments of skill and available jobs.

Participation of individuals aged 25-65 in the workforce trended downward from a 65% in 1994 to around 57.5% in mid-2025, well below the 1990–2010 historical average of 62.7 percent. The pandemic precipitated a sharp drop to 57 percent in 2020 Q2.

Since then, participation has held steady: 58.02% in 2024, 58.41% in 2025 and 58.56% in 2026. This flat percentage even in the face of healthy population growth indicates a mismatch between available demographics, skillsets, job openings and wages; the regional labor imbalance is holding back potential economic growth in the region.

Labor Force Participation

Percent of employed population aged 25-65, not counting registered unemployed



Source: U.S. Bureau of Labor Statistics (BLS): CPS Household Survey; U.S. Census Bureau (BOC); U.S. Bureau of Economic Analysis (BEA); Moody's Analytics Estimated and Forecasted

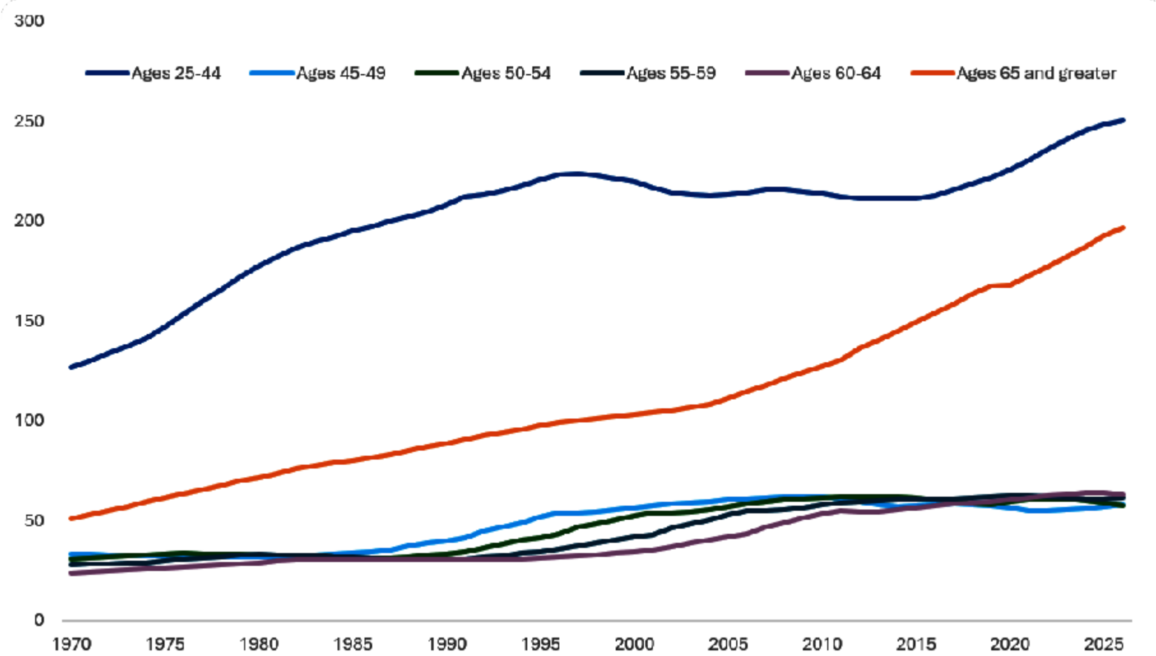
There has been concern in recent years that the state's population is aging rapidly, especially as movers nearing retirement were attracted to Tennessee after the pandemic. An analysis by the University of Tennessee showed that the senior group aged 65+ expanded at three times the rate of the prime working age from 2020-2023.

The Knoxville MSA has had a tough time retaining its young working population; when compared to the other major population centers in Tennessee, Knoxville has the lowest percentage of population aged 25-44 at 27%. The good news is that recent migration of younger and middle-aged residents from 2023-2025 helped balance the demographics, with the group aged 65+ estimated to comprise about 19% of the region's population at the end of 2025.

In real numbers however, this still represents a labor challenge. From 2020-2025, the Knoxville MSA population increased by an estimated 25,000 residents age 25-44 but added 29,000 residents aged 65+. This includes residents that aged into the category, not all new movers; the increase in older residents over the last two years was driven by aging of our existing residents. This pace of aging highlights the urgent need for more senior services, housing and healthcare.

Labor Force Availability

Share of population by age: Knoxville, TN MSA



Source: U.S. Census Bureau; Moody's Analytics Estimated and Forecasted (2026 forecasted)

East Tennessee currently maintains a solid and broadly diversified labor market thanks to migration, serving as an attractive destination for job seekers and new businesses. Strong recruitment and economic development efforts have succeeded in creating a thriving economic structure that includes industries from healthcare and advanced technologies to education and manufacturing.

After several years of notable high-wage category job growth in 2023 and 2024, employment growth was more broadly positive across low-, mid-, and high-wage categories in 2025, at approximately 1.19%, 1.26%, and 1.19%, respectively.

In a marked shift from transportation and manufacturing growth prior to 2020, the fastest growing job sectors in East Tennessee in 2025 were management, computer & mathematical occupations, and community & social service occupations.

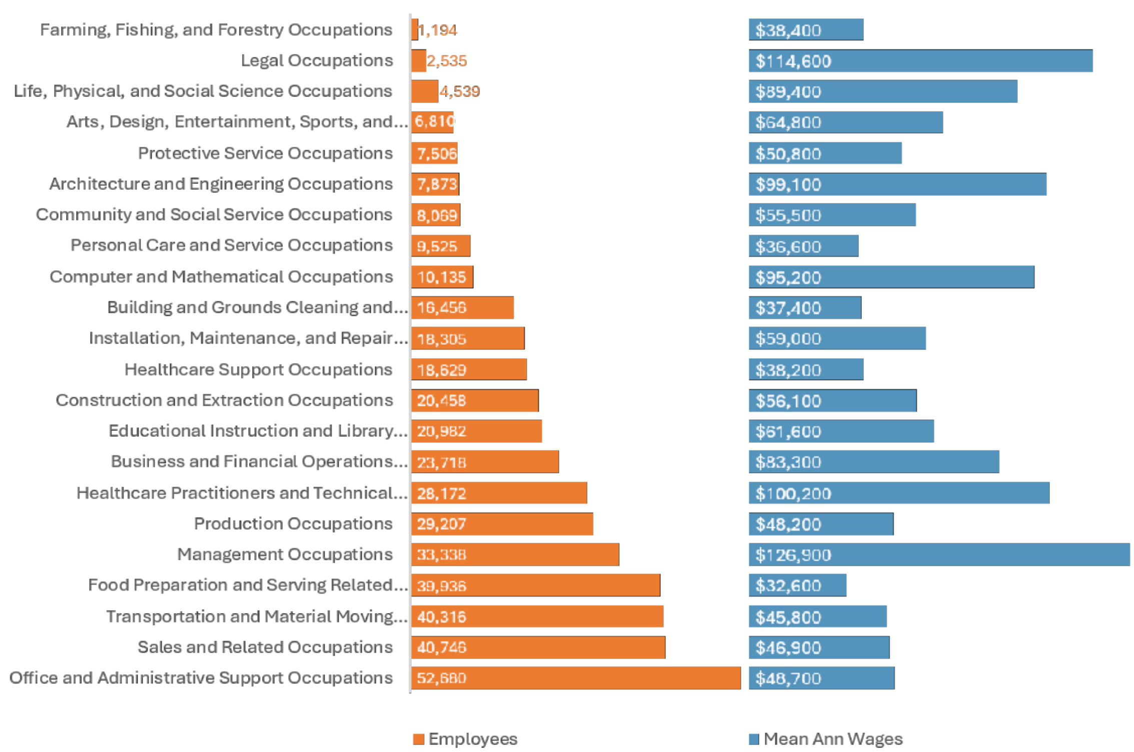
Illustrating the local labor mismatch, the highest unmet demand lies in food prep and serving, the lowest annual wage category: According to an estimate from JobsEQ, more than 7,000 additional workers are needed within the next year. In another crucial sector, healthcare, nearly 4,000 job openings are currently posted.

Housing and the labor force are closely reliant upon each other; in the 3 sectors with the highest projected demand, food prep, office and admin support, and sales, workers are making a mean annual wage of $32,600 - $50,000.

Retaining these employees could be extremely difficult in the region's housing market today. Using average costs as of June 2026, salary of $50,000 would mean that a family can afford less than 10% of the available homes for sale and can only afford $1,250 in monthly rent – far below the average effective rent of $1,600 for a two-bedroom unit. In fact, the ALICE (asset limited, income constrained, employed) salary level typically used to calculate the poverty threshold is set at $50,000 in the Knoxville MSA for a family of two adults.

Jobs and Earnings by Category

Jobs by volume of employees vs. mean annual wage: East Tennessee REALTORS®



Source: Knoxville Chamber, JobsEQ (data as of Q4 2025)

The region's labor market is on path to continue attracting workers at the highest end of the wage spectrum, while lower salary employees may find the area unaffordable, worsening the prospects of retaining younger talent. This is especially true for the region's most populous county and economic center, Knox County.

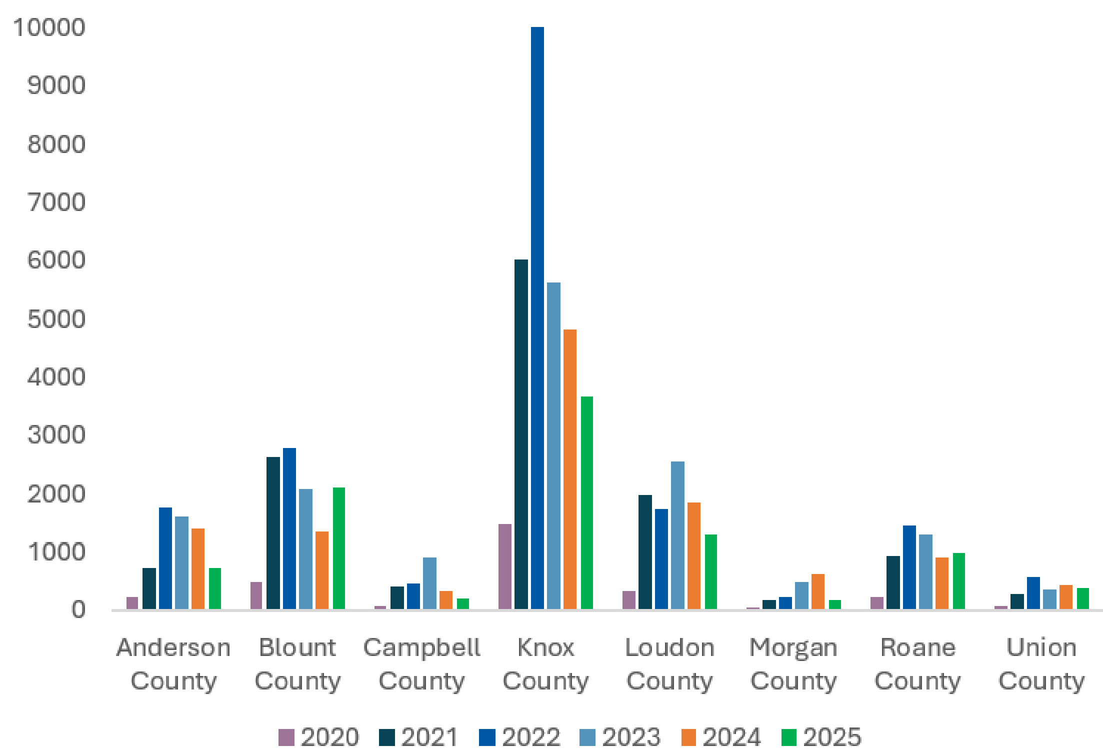
Net Migration and Population Growth

Net migration remains positive at approximately 10,300 residents in 2025, but has slowed from 19,600 in 2022 and 15,500 in 2023. The region continues to attract residents, but the pandemic-era surge has normalized.

Knox County records the largest net inflow in 2025 at 3,671, followed by Blount County at 2,118, Loudon County at 1,298, and Roane County at 994. Most counties remain positive, although the pace is generally below recent peaks.

Demographic Trends by County

Net Migration By Year and County

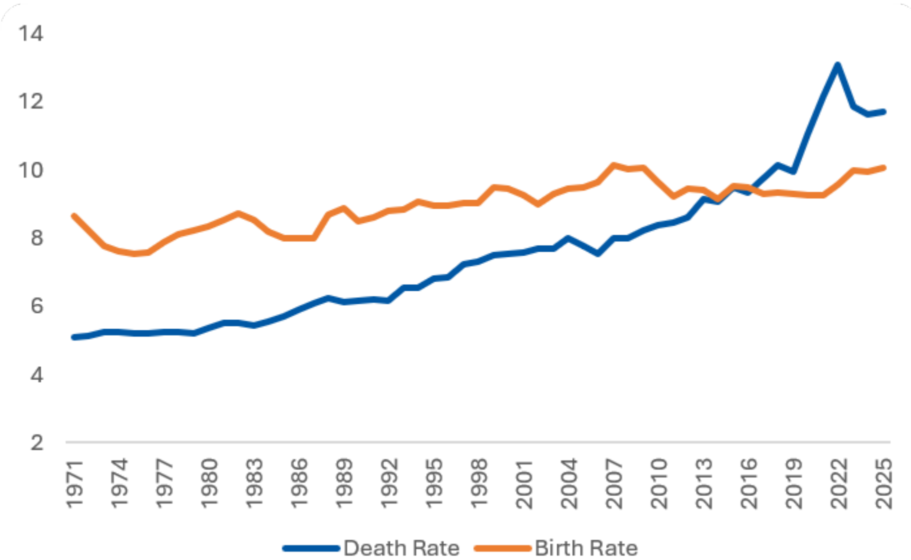


Source: U.S. Census Bureau

Deaths remained above births in 2025, at 11.71 versus 10.06 per 1,000 residents. The gap narrowed from its 2022 peak, when deaths reached 13.08 and births were 9.56, but natural population change remains negative.

Population Changes

Deaths and births per 1,000 population: Knoxville TN MSA

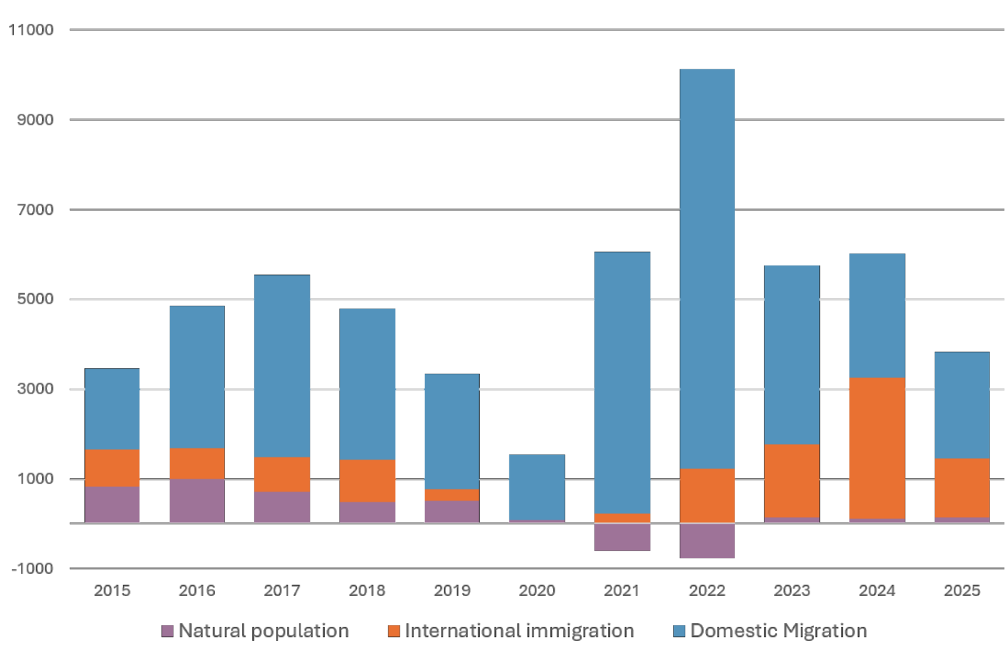


Source: Moody's Analytics

Considering the natural birth rate vs migration, the natural population growth was more robust pre-pandemic than it is now. This cannot entirely be accounted for by pandemic-related deaths, although it took an obvious toll. The conclusion therefore must be that economic and environmental circumstances in the region are not ideal for growth in the main family birth demographic, age 25-44.

Sources of population growth, Knox County

Population additions from natural growth, domestic and international migration



Source: U.S. Census Bureau

This is not entirely a county-level issue. Each county is independent in policy decisions that affect day-to-day life for this demographic such as zoning, schools and road maintenance. However, in reality people make decisions based on regional availability of resources; the boundary between a home in one county and a home down the road in the next county is not a physical one.

Moving forward, East Tennessee is approaching demographic challenges as a region and must maintain its current rate of migration for the immediate future to sustain economic success.

Household Composition

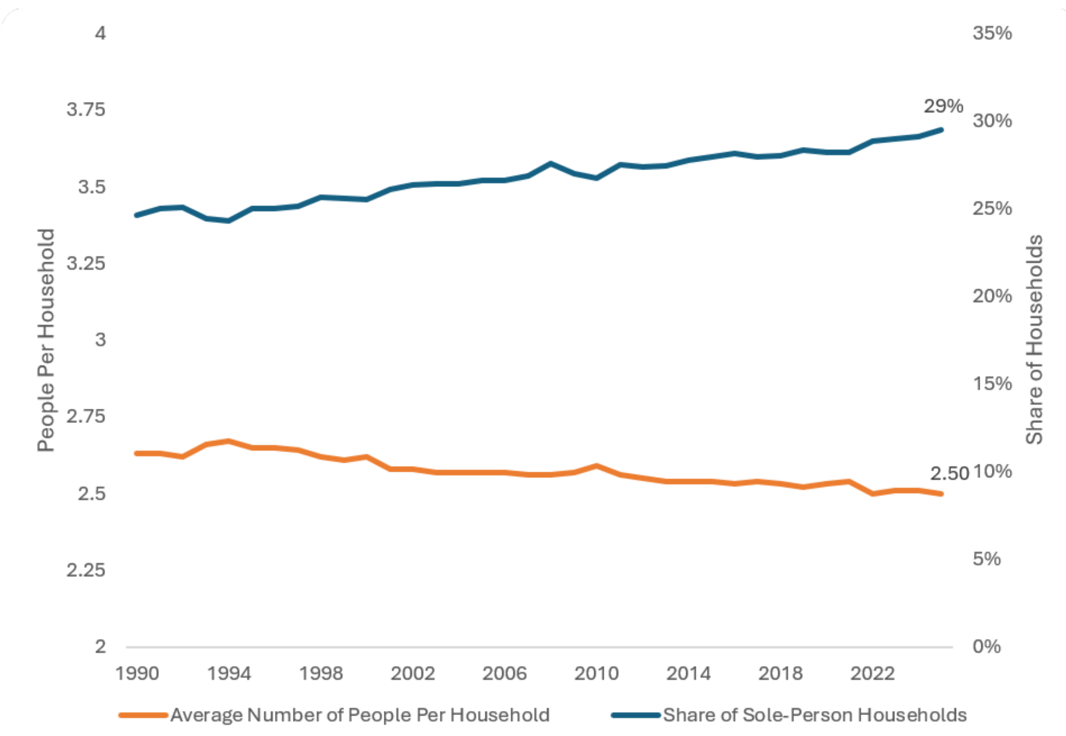
An increase in the number of households, such as more people moving/living independently or even getting married directly affects the home sales market. As of 2025, the share of sole-person households in the U.S. has reached a record high of 29.5%, reflecting a steady increase over recent decades. At the same time, the average number of people per household has declined to 2.50, continuing a long-term trend toward smaller household sizes.

While recent narratives have introduced that generations may be beginning to live together again, as of now the data indicates more individuals choosing or needing to live alone or in smaller accommodations.

This demographic change has begun to exert pressure on the housing market already in the form of additional demand for smaller, more manageable homes. Smaller household sizes will also increase demand even as the population growth slows over time.

Demographic Trends

Average number of people per household and sole households



Source: Census Bureau, Current population Survey

Inflation

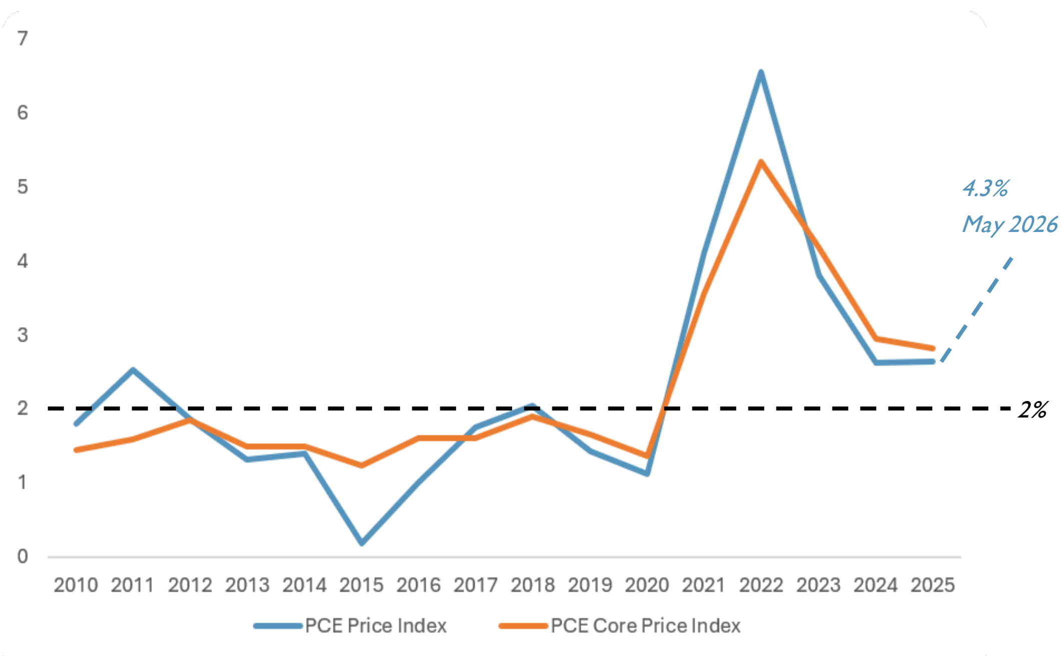
Following a period of inflation surges from 2020-2024, the headline PCE Price Index flattened to 2.6% in 2024 and 2025. Inflation was inching closer to the Federal Reserve's target rate of 2%, until 2026. Steep spikes driven by the price of energy and foreign policy activities pushed the rate up to 4.2% as of May 2026.

While shelter inflation was the primary driver of inflation in 2025 followed by healthcare, in 2026 inflation has been primarily driven by energy. This includes the Core PCE Price Index; although the cost of fuel itself is not included in this measure, the cost of fuel also drives other categories such as transportation and airline travel, shipment of goods and related services.

Shelter inflation has moderated considerably, down from a peak of 8% in 2023 to 3.4% as of May 2026. Shelter and related costs account for nearly 40% of the CPI measure, as they might in a family's day-to-day life. Even if overall inflation moderates, the cumulative effect of those costs over time may still consume a hefty portion of a household's budget and discourage purchase of a home.

Personal Consumption Expenditures (PCE Price Index)

Percent change from one year ago, through 2025 release



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

Core PCE Inflation, which removes volatile food and energy prices, is often seen as a better indicator of future inflation.

While 2026 numbers may be adjusted slightly at the end of the year, the May snapshot illustrates the change in inflation since last year.

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

Mortgage Rates

Inflation, monetary policy and economic policy at the national level have a significant effect on mortgage rates and thus housing by influencing short-term and long-term interest rates, expectations of inflation and overall economic conditions. The Federal Reserve's primary tool for implementing monetary policy is adjusting the target for the federal funds rate, which is the interest rate at which banks lend to each other.

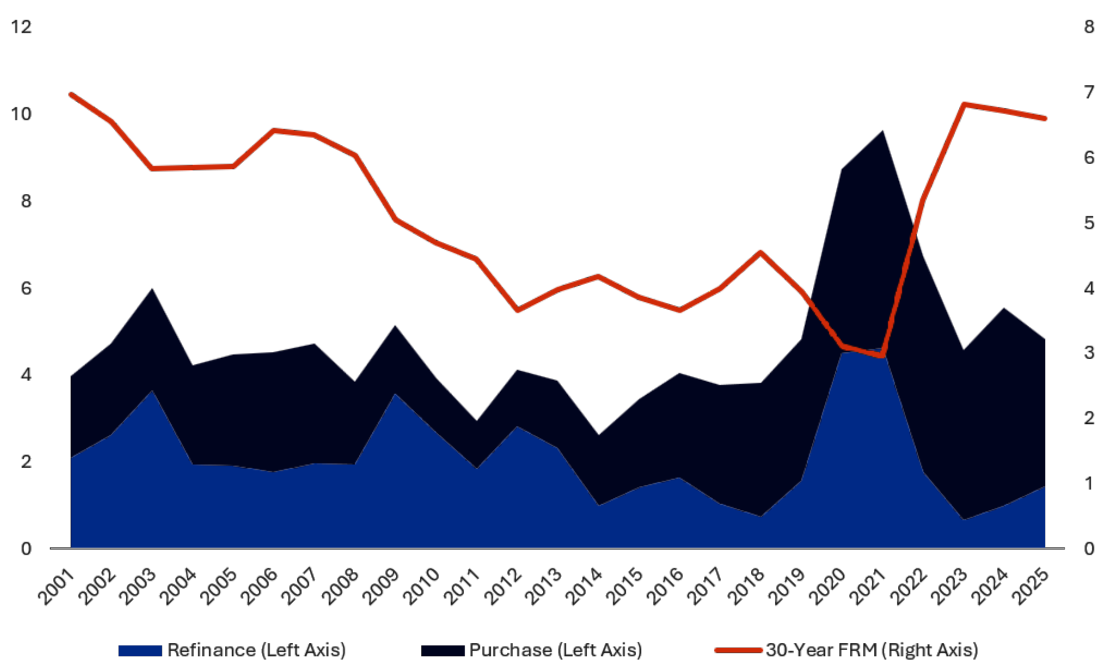
While the anticipation of Federal Reserve intervention in rates dominated the headlines in 2025 and early 2026, the Fed does not set policy with an eye toward mortgage affordability. As of July 2026, the board of governors announced that they do not foresee making any further changes until 2027 based on conflicting inflation and labor reports.

For most of 2025 and 2026, financial experts are aligned on the conclusion that mortgage rates have been primarily affected by financial market reactions to foreign policy and energy costs, surging capital investments in technology, and broad global concerns; the net effect is somewhat of a cancellation, and the rates remain similar to the previous 12 months.

The average 30-year fixed mortgage rate was 6.60% in 2025, compared with a historic low of 2.96% in 2021. Refinance originations recover to $1.43 billion in 2025 from $0.67 billion in 2023, while purchase originations decline to $3.40 billion from $4.57 billion in 2024.

Mortgage Market Trends

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



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

The current trend can be seen as a slow normalization. Even in this period of rapidly changing geopolitical and economic circumstances, the market has begun to absorb fluctuations with less reaction in rate changes. Consumers have likewise become less reactive. Purchase activity increased substantially toward the end of 2025 and has held a sustained increase through the middle of 2026, despite rates mostly staying over 6%.

However, at rates of 6% or higher purchase financing for many East Tennessee borrowers remains constrained; at this level, a family in the range of the region's median annual household income often cannot access enough credit to afford the median priced home.

Summary of Key Economic Indicators

Moody's Analytics forecasts that the Knoxville MSA will reach Real GDP of $80 billion in 2026 and $86.0 billion in 2027, with total employment increasing to 458,700 and 462,700.

The unemployment rate is projected to rise slightly from 3.16% in 2025 to 3.22% in 2026 and 3.85% in 2027, while personal income growth slows to 4.63% in 2026 before improving to 5.04% in 2027.

While these estimates are based on current conditions and may adjust, the immediate economic outlook for East Tennessee is optimistic.

Knoxville, TN Metro Area	2022	2023	2024	2025	2026	2027
Gross Metro Product (Bil. Ch. 2012 USD)	62.6	68.5	72.7	76.7	81.7	86.0
% change	10.7	9.5	6.2	5.4	6.6	5.2
Total Employment (Ths. #)	429.9	441.9	449.7	455.2	458.7	462.7
% change	4.9	2.8	1.8	1.2	0.8	0.9
Unemployment Rate (%)	3.1	3.0	3.1	3.2	3.2	3.8
Personal Income Growth (%)	3.7	9.7	6.2	5.9	4.6	5.0

Source: Moody's Analytics

Housing Market

The long-awaited market shift is here. Rather than a boom or a corrective bust, East Tennessee's market recovery has taken the shape of gradual forward momentum.

Slow adjustment may be frustrating for those waiting for a big jump in affordability or inventory, but it's actually the ideal scenario for all parties. Existing homeowners can rely on stability of equity they built during the post-pandemic increase, buyers are seeing more options come online as sellers finally list, and prices are normalizing without severe corrections.

In past years we have named one market factor that was shaping sales: mortgage rates, consumer sentiment, inventory, and the migration of communities from urban to rural environments.

In 2026, the biggest market influence is pent-up buyer demand.

All metrics indicate that 2026 should be similar to 2025: mortgage rates, geopolitical risk, negative consumer sentiment and inventory weighted toward expensive listings.

While difficult to quantify in data, it appears that the threshold of customer patience for a home purchase is about 3-4 years. Where you live determines much of your quality of life. Families can't wait forever when they need another bedroom, or to downsize, or to move closer to relatives. Seniors can give those difficult stairs a couple of years, but then it's time to find a single level home. Ultimately, headlines can't compete with life changes.

As buyers return to the market and inventory begins flowing again, some affordability comes naturally. However, many buyers and renters in need of a home are still being left out of the market. This portion of the adjustment won't come naturally to East Tennessee after a nearly 100% price increase over 6 years in many zip codes.

Localities must engineer intentional, proactive solutions to ensure that there are homes available for all sectors of the population.

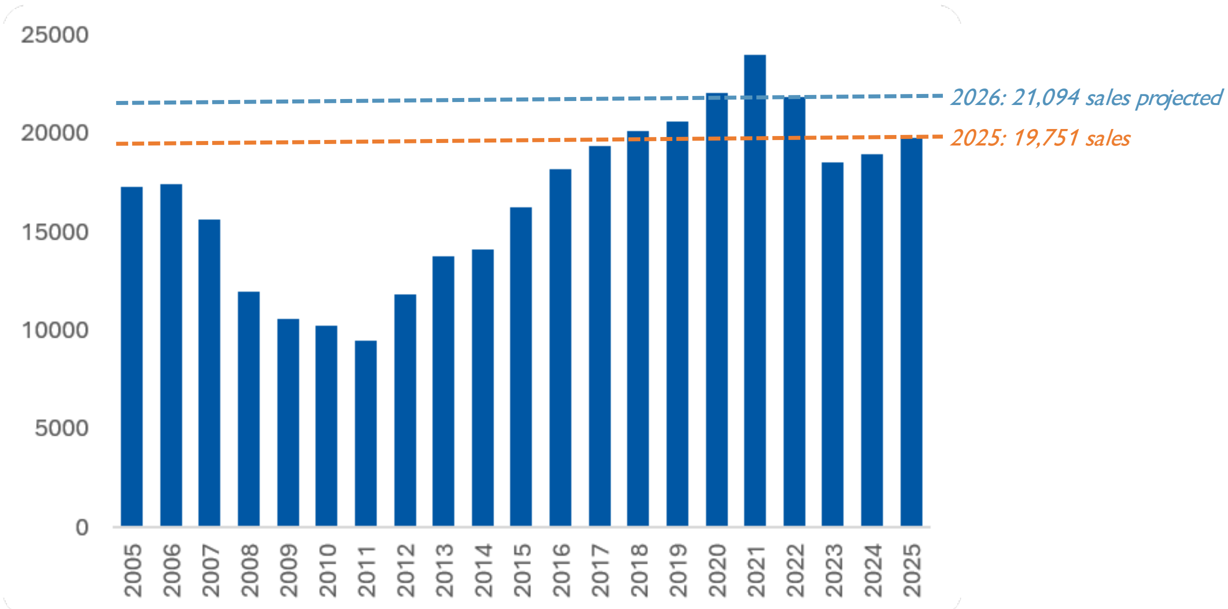
Home Sales and Prices

Home sales in the East Tennessee REALTORS® Multiple Listing Service (MLS) climbed to 19,751 in 2025 from 18,942 in 2024, a gain of approximately 4.3%. Sales remain well below the 2021 peak of 24,009, indicating that activity is recovering gradually rather than returning to the pandemic-era pace.

In context with historical data, the pace of sales is on par with 2017 sales of 19,340, not quite catching up to the 2019 level of 20,579.

Home Sales

Annual Single-Family Home Sales: East Tennessee



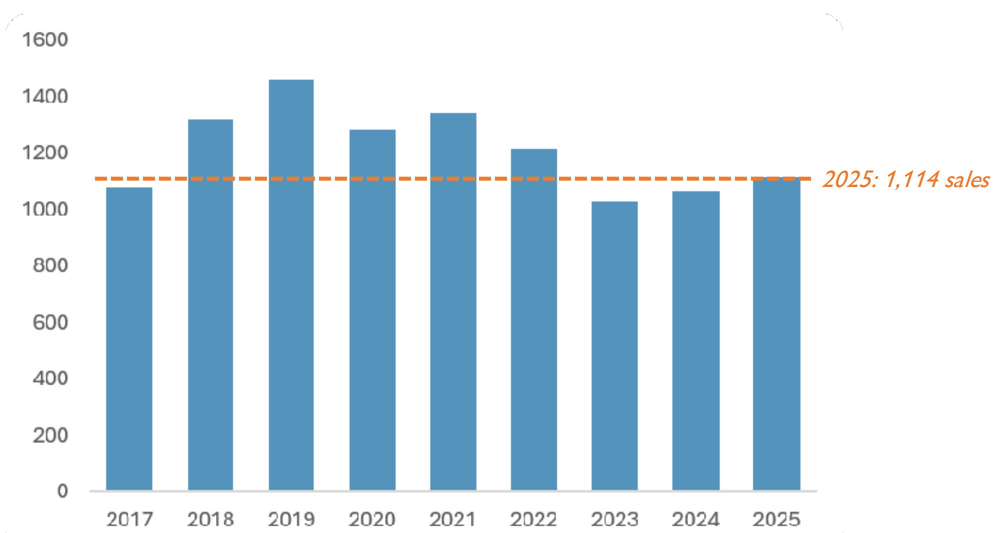
Source: East Tennessee REALTORS® Multiple Listing Service (MLS)

Condo sales rose from 1,065 in 2024 to 1,114 in 2025, a very small increase given the overall volume of home sales. This segment has not yet recovered to pre-pandemic levels.

Condos are a core element of housing inventory needed to present a full range of options for buyers who want different prices, sizes and lifestyles, and the current supply does not meet demand.

Home Sales

Annual Condominium Sales: East Tennessee



Source: East Tennessee REALTORS® Multiple Listing Service (MLS)

In 2025, East Tennessee home prices increased 2.6% over the previous year. This is an incredible slowing of price appreciation after double-digit price increases across multiple post-pandemic years. Inventory was beginning to catch up, partially thanks to a glacial pace of sales in 2025 as consumer sentiment and fear of a possible recession held back many purchasers.

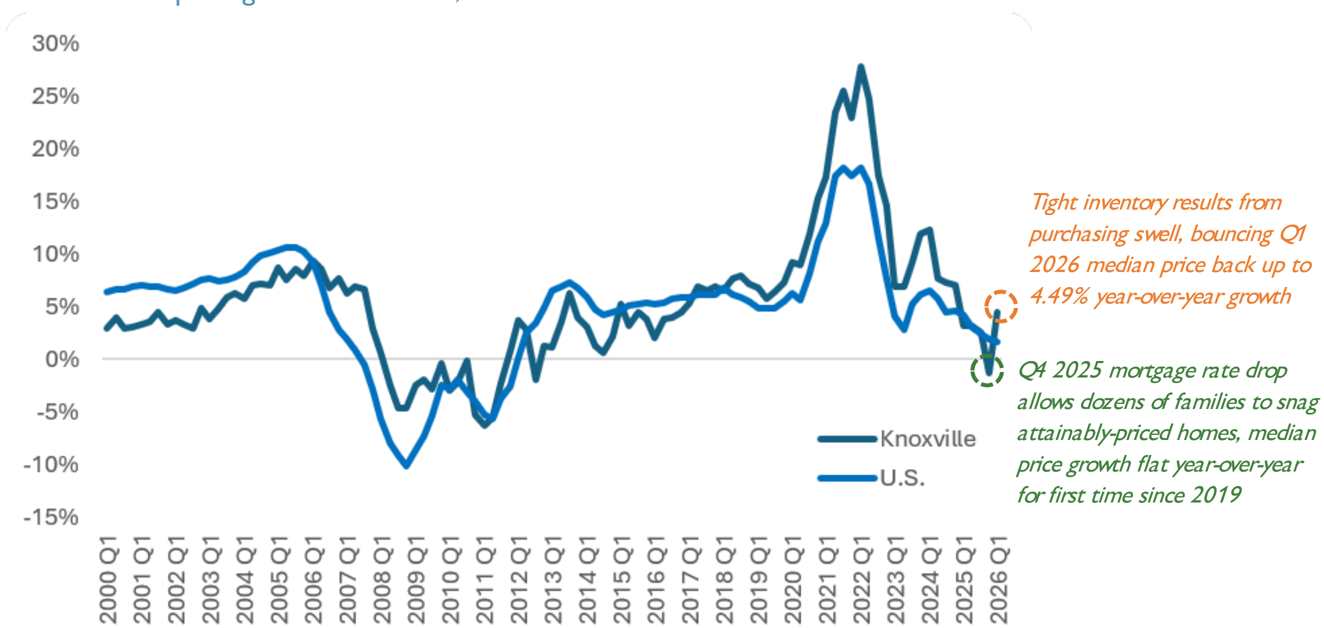
At the end of the year, the financial markets reacted to news that Fannie Mae and Freddie Mac were directed by President Trump to purchase $200B in mortgage-backed securities. This temporarily drove mortgage rates down to the 5.75-5.99% range for a few weeks, before rates bounced back.

That brief drop in rates created a window of increased affordability for many families, kicking off unseasonably high purchase activity over the holidays, at a time when inventory typically does not become available. The limited supply caused prices to rise sharply in the first quarter of 2026, as the regional housing market tightened temporarily until inventory began returning in the spring.

East Tennessee home prices increased 4.49% year over year in 2026 Q1, compared with 1.66% nationally. However, this should not be viewed as a complete picture of the outlook. Sales have returned quickly over the first two quarters of the year, prompting sellers to return more inventory to the market.

Knoxville Home Prices Outpace National Average

Annual home price growth: Knoxville, TN MSA vs. USA



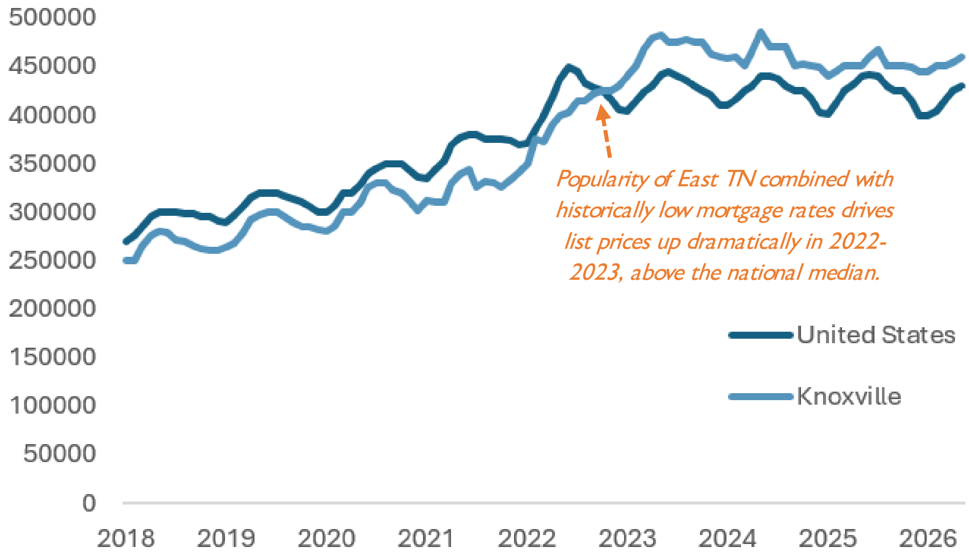
Source: FHFA Purchase-Only House Price Index

This is a clear example of supply-demand market dynamics in action: A boost in affordability added a new segment of demand, but the supply in that price range was not sufficient, causing a short term price hike.

As the East Tennessee market normalizes, the slow pace of gains has been a boon for existing homeowners, whose home values and equity have remained stable. List prices have begun to normalize as well, with the days of rapid 24-hour bidding wars mostly in the past.

Knoxville List Prices Outpace National Average

Annual list price growth: Knoxville, TN MSA vs. USA



Source: ETNR Analysis of Realtor.com data

The peak annual median list price increased from $250,000 in early 2018 to a peak of $485,000 in early 2024, nearly doubling. Between Q4 2023 and Q4 2024, median listing prices began to decline modestly across most regions in Tennessee and the nation as the great pandemic-driven migration between states slowed.

By 2025, the Knoxville MSA saw a more normal rate of migration and demand for homes. While list prices have remained elevated due to tight inventory and high desirability in the region, the fervor of 2022-2023 has subsided for more gradual growth.

In addition to intrinsic home value, list prices factor in a human sense of urgency and market behavior. The peak median list price has taken longer to normalize than sale prices but trends closely, showing that East Tennessee homes are generally not overpriced.

The Knoxville MSA median listing price reached $459,900 in May 2026, compared with $429,500 nationally. Knoxville remains priced above the national median for the foreseeable future.

Median List Price

Year over year change from 2025 to 2026

County/Region	Q1 2025	Q1 2026	Change	% Change
United States	$ 424,900	$ 416,000	-8900	-2.1
Knoxville MSA	$ 449,900	$ 449,950	50	0.0
Tennessee	$ 427,400	$ 426,000	-1400	-0.3
Anderson	$ 351,913	$ 397,381	45468	12.9
Blount	$ 451,668	$ 465,000	13332	3.0
Cumberland	$ 399,500	$ 398,500	-1000	-0.3
Knox	$ 429,900	$ 437,450	7550	1.8
Loudon	$ 632,450	$ 649,900	17450	2.8
Roane	$ 419,900	$ 439,000	19100	4.5

Among the counties with available data, Cumberland is the only area that experienced a list price drop, and only slightly at -0.3%. As Anderson County sees an influx of new, higher-earning residents, it saw a median list price increase of 12.9%. Each market within the region varies widely.

Source: ETNR analysis of Realtor.com data
Note: Comparable data unavailable for other smaller counties.

Supply of Housing

When analyzing the region's housing supply, it is important to understand that the current shortage stems from over a decade of underbuilding starting in the wake of the 2007-2008 financial crisis.

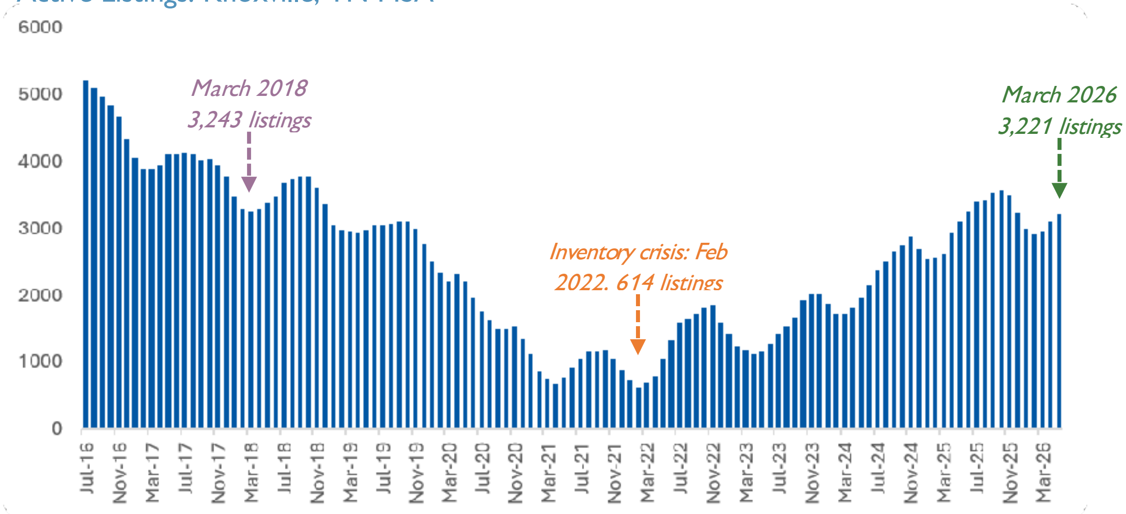
New regulatory restrictions, increased cost of materials and labor, uncertainty about the market and a general lack of investment characterized home building and supply in the years immediately following the crisis. If built at all, homes increased in size and price to offset costs.

The Knoxville MSA's active home listings declined especially steeply during the period of 2016 to 2022. During this period, prices rose sharply alongside mortgage rates and sales declined.

As of early 2026, the market has still struggled to replace inventory.

Housing Inventory

Active Listings: Knoxville, TN MSA



Source: Realtor.com

Active listings across Tennessee's key MSAs showed varied growth trends post-pandemic. Memphis experienced the largest increase with a 125% rise, an outlier reflecting the area's population loss and buyer's market environment. Chattanooga and Nashville experienced more healthy increases in line with population growth, while Knoxville began to recover with a 58.2% increase in listings. Nearly all of this recovery happened in 2025; as of 2024, Knoxville had only experienced a 19% increase from 2020's lows.

Comparing Metro Areas: Average monthly active listing count

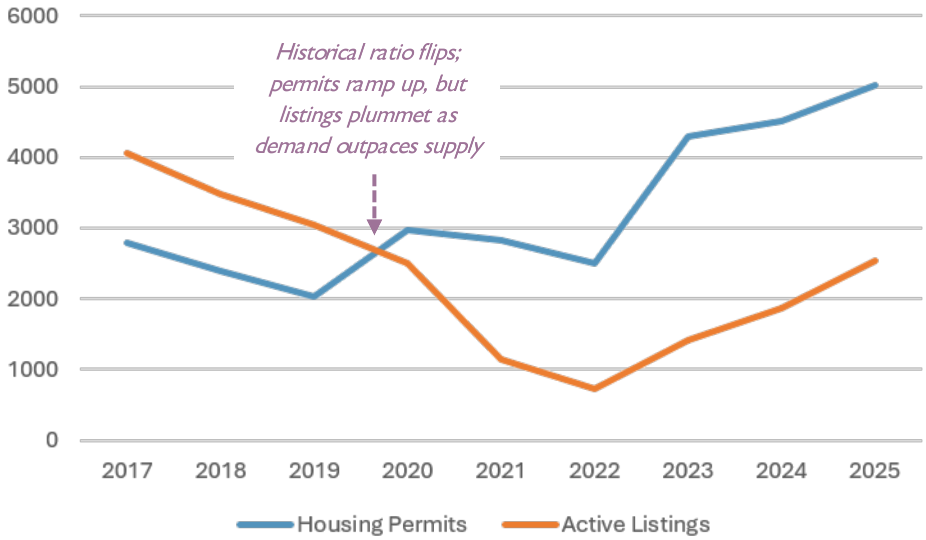
MSA/Region	2020	2025	% Change
Chattanooga	$ 1,315	S 2,324	76.8
Clarksville	$ 819	S 1,799	119.7
Crossville	$ 270	$ 501	85.5
Johnson City	$ 378	$ 581	53.7
Kingsport/Bristol	$ 733	$ 909	24.0
Knoxville	$ 1,900	S 3,136	58.2
Memphis	$ 2,017	S 4,550	125.6
Nashville	$ 5,544	S 9,591	73.0

Source: ETNR analysis of Realtor.com data, May 2026 release

Production in the Knoxville MSA has ramped up significantly in 2025, although long permit processes and construction delays have stretched the typical delivery schedule. When combined with high demand from buyers and growing population, this means that the available inventory has yet to catch up to the need.

Housing Starts and Inventory

Housing Units Authorized by Building Permits vs. Active Listings: Knoxville, TN MSA



Source: U.S. Census Bureau

The "Lock-in Effect"

In 2022-2023, homeowners capitalized on unprecedented low-interest-rate environment, refinancing or initiating mortgages at rates significantly below the long-term average.

The subsequent steep 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 higher mortgage rate and substantially more in interest costs. This effect was a daunting barrier to inventory movement for the last few years but is beginning to ease.

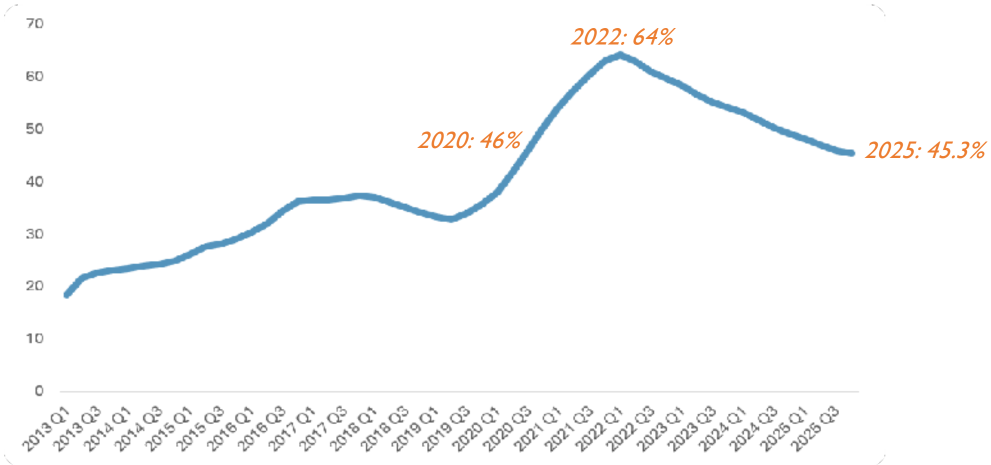
The "Lock-in Effect," where many potential buyers were trapped in 2-3% mortgages and unable to move, is finally easing.

The "lock-in effect" has much less impact on available inventory now than in the past few years, but it is not entirely resolved. Lower inventory stress and improved supply would reduce the gap in affordability that these mortgage holders are facing, or a drop in rates.

The share of outstanding Tennessee mortgages with rates at or below 4% falls from a peak of 64.0% in 2022 Q1 to 45.3% in 2025 Q4. This continues to be good news for home sales and helps sellers return desperately-needed inventory to the market.

Lock-in Effect in Tennessee

Total Share of Outstanding Mortgages With Rates Below 4%



Source: Federal Housing Finance Agency (FHFA)

Measuring the Housing Shortage

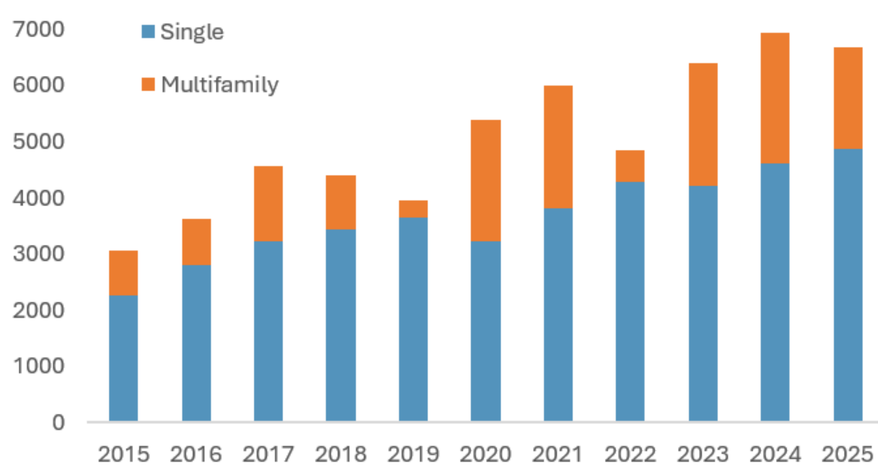
Housing completions in the MSA have continually fallen behind demand. For example, the region added an estimated 9,600 new residents in 2024 and was already behind by 10,000 homes, and completions tallied 6,946. Completions declined to 6,687 in 2025.

Demand has continued to grow, but completions have largely been flat since 2023.

Despite a surge in permitting, multifamily unit delivery also fell short with less than half of the permitted units being offered for rent within 12 months; occupancy remains at 95% and RealPage Analytics estimates that the annual demand in 2026 will be 300 units higher than completions.

Trends in Construction

Housing Completions: Knoxville, TN MSA



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

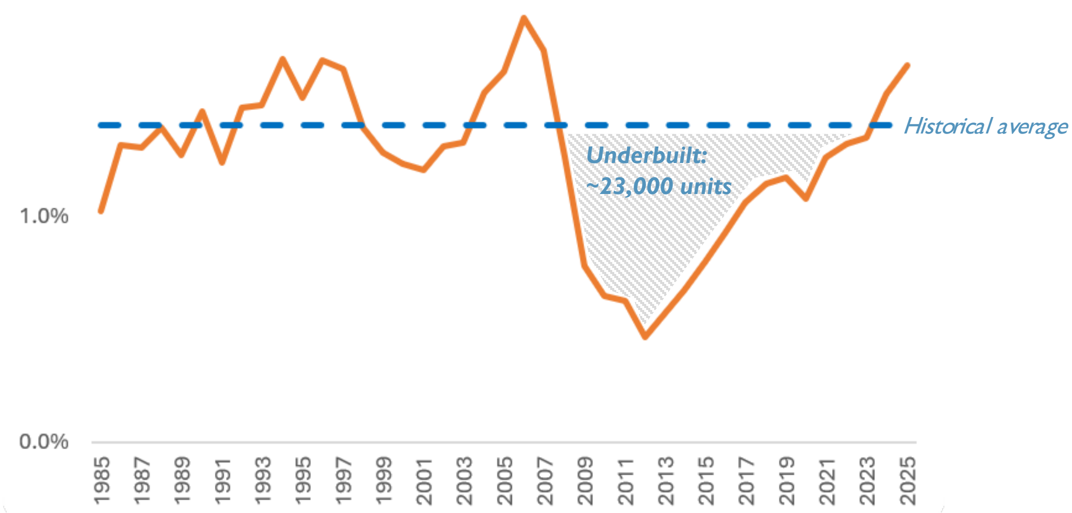
As an exercise, if we use the historical average rate from 1985 to 2000 to calculate the number of homes which should have been built each year, the region would have added a cumulative total of more than 23,000 additional units by the end of 2025.

A recent study by the National Association of REALTORS® and Realtor.com analysts at the end of 2024 estimated that the Knoxville MSA has a current gap of more than 10,000 homes.

This analysis used a snapshot of existing population and households only, not taking into account any factors that would inhibit household formation; for example, young professionals staying with parents due to lack of housing affordability. In practice, the existing gap is likely higher than 10,000 units.

Underbuilding from 2009-2024

Housing Completions as Percentage of Total Households: Knoxville, TN MSA



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

As of late 2024-2025, the region has begun to exceed the historical rate of building. While this has not closed the gap in needed inventory yet, the increased additions have kept the demand imbalance from worsening in 2025. This possibly reflects the joint efforts of housing advocates, municipalities, elected officials, builders and developers to ramp up supply in response to demand.

If calculated based on the historical active listings, gap in building from 2008-2024 and current rate of population growth, the Knoxville MSA would need to build about 30% more homes each year to meet demand and achieve a balanced market by 2036.

The Knoxville MSA would need to build about 30% more homes each year than the current rate to catch up to its population's projected growth.

In addition, these homes would need to be primarily added in the price range attainable to households making a gross annual income of $100,000 or less.

Housing Affordability

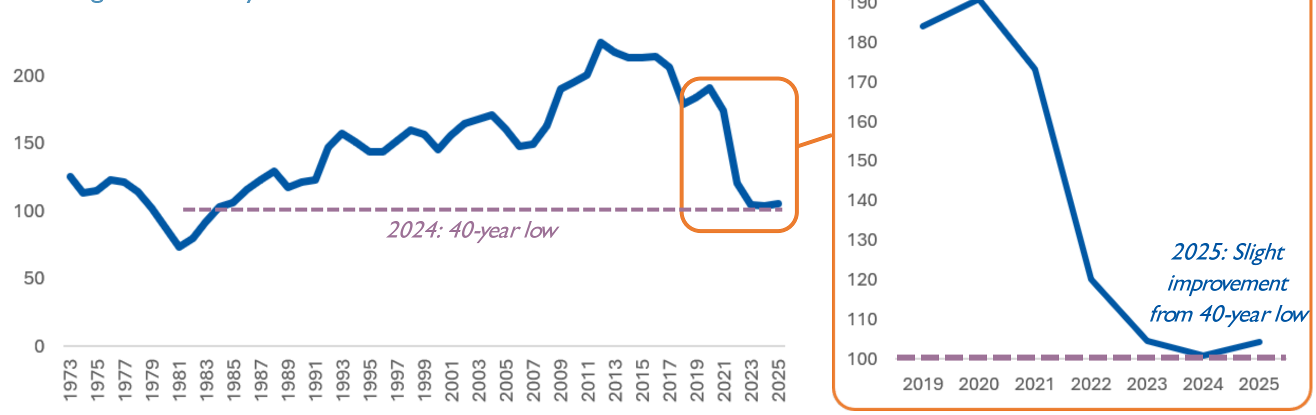
Along with increased inventory and movement, housing affordability improved in 2025.

The Housing Affordability Index recovered from a 40-year low of 101.0 in 2024 to 104.3 in 2025 and is projected to reach 110.8 in 2026.

Even with this recovery, affordability remains far below the pre-pandemic 2020 reading of 190.9. The 2025 affordability gains represent a modest improvement within what is still a severe structural affordability problem.

Housing affordability begins to improve in 2025

Housing Affordability Index: Knoxville, TN MSA



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

Despite this small improvement in overall affordability, mostly thanks to mortgage rate changes, the home price-to-income ratio continued to worsen in 2025. Home prices will need to remain flat for several years to allow incomes to catch up with the cumulative increase in home values, because of the steep jump in prices from 2021-2024.

Home prices relative to income

Housing price-to-income ratio: Knoxville, TN MSA

Source: ETNR tabulation of Moody's Analytics data; ETNR Multiple Listing Service (MLS)

Housing affordability in Knoxville was relatively flat from 2024-2025. Interest rates edged down from 6.85% to 6.15%, while the median sales price grew by $3,082 to $370,582.

The minimal price increase, combined with lower costs of borrowing, created a significant drop in the annual income needed to afford the median priced home. This is a good example of how sensitive affordability remains to mortgage rates.

Housing affordability of the median priced home

Housing affordability change from 2024 to 2025

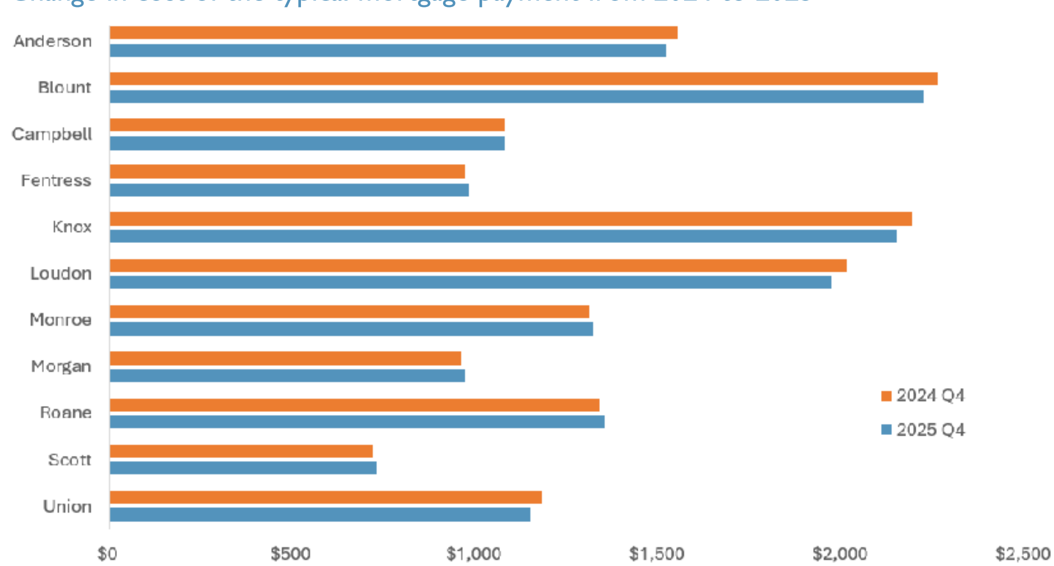
HOME PURCHASE COSTS	2024	2025	CHANGE 2024-2025
Interest rates	6.85%	6.15%	-0.70%
Median sales price	$ 367,500	$ 370,582	$ 3,082
Down payment & closing costs	$ 47,775	$ 48,176	$ 401
Monthly principal & interest payment	$ 2,167	$ 2,032	$ (135)
Total monthly owner costs	$ 2,596	$ 2,465	$ (131)
Annual income needed	$ 103,856	$ 98,598	$ (5,258)

Source: Federal Home Loan Mortgage Corporation, Federal Housing Finance Agency, ETNR, Federal Reserve Bank of Atlanta, Author's calculations. 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, maximum 30% debt to income ratio

Between Q4 2024 and Q4 2025, monthly mortgage payments decreased slightly across all 12 counties in East Tennessee REALTORS® jurisdiction. Monthly payments remained highest in Blount County at $2,220 and Knox County at $2,150, followed by Loudon County at $1,970. Compared with 2024 Q4, payments fell by $40 in Blount, Knox, and Loudon and by $30 in Anderson, while several lower-cost counties increased by approximately $10 as rising home prices offset affordability.

Housing affordability by county

Change in cost of the typical mortgage payment from 2024 to 2025



Source: NAR tabulations of American Community Survey (ACS); data from FHFA

Affordability is further affected by supply, particularly the diversity of supply (or lack thereof) and the overall cumulative demand across existing homes, new homes and rentals.

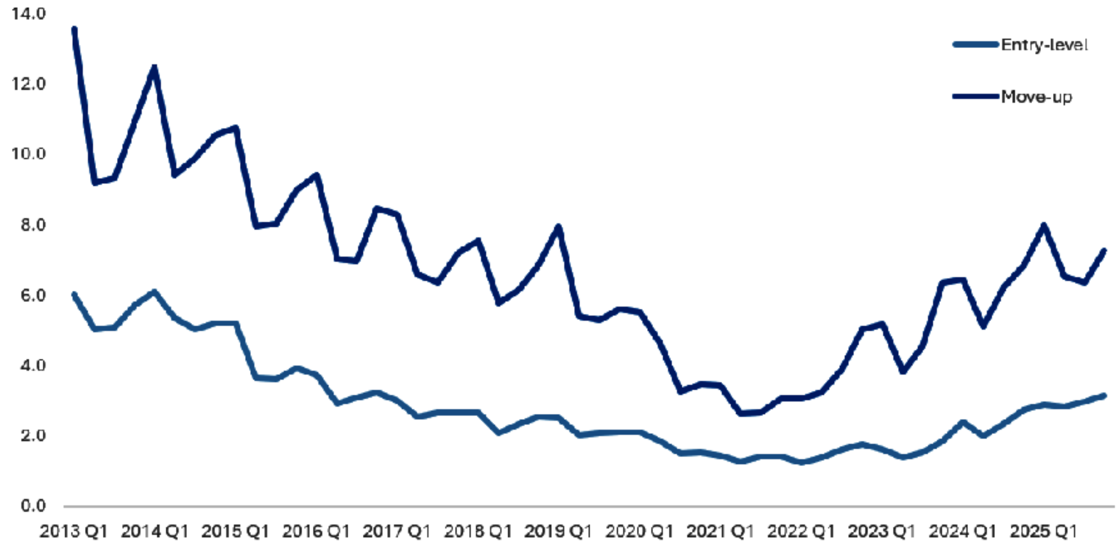
Historically, 6 months of housing supply is considered to be a balanced amount of available inventory. In the Knoxville MSA, inventory levels rose steadily in 2025 before being somewhat depleted during an unseasonably robust winter sales period. Rising sales in the first half of 2026 have kept inventory constrained.

Overall months of supply reached 4.68 in 2025 Q4. Entry-level supply remained tighter at 3.14 months, while move-up supply reached 7.24 months.

It's important to note the difference between activity in each price range: Aggregate inventory measures conceal a continuing shortage in the price tiers most relevant to first-time and moderate-income buyers.

Housing Inventory

Month's supply by market segment: Knoxville, TN MSA



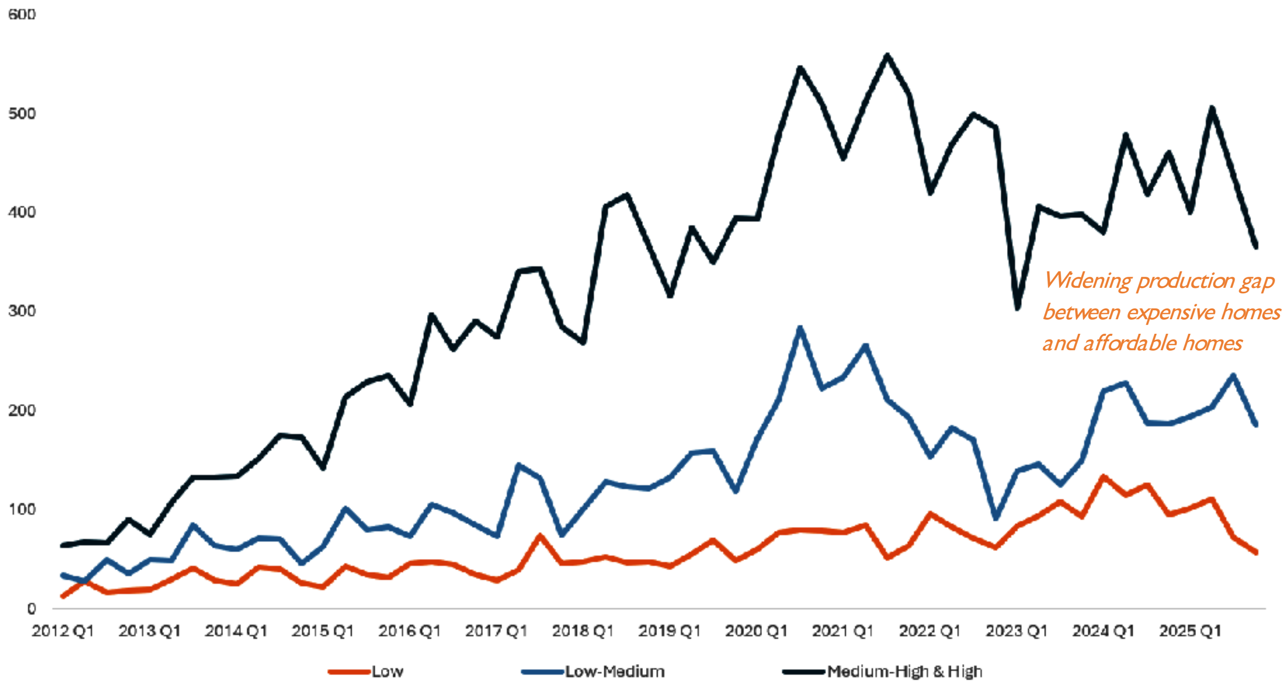
Source: AEI Housing Center

In 2025 Q4, low-tier new-home sales fell to approximately 56 units, low-medium sales to 185, and medium-high/high sales to 366. Higher-priced product continues to dominate new-construction activity, while entry-level production has weakened significantly.

The current zoning, regulatory, land, labor and materials costs, among other ancillary expenses are forcing builders to price homes into a higher tier than many families can afford. At the same time, there is weakening demand for homes in the highest price tier and increasing demand for more affordable, entry-level homes.

Housing Inventory

New construction sales by price tier: Knoxville TN MSA



Source: AEI Housing Center

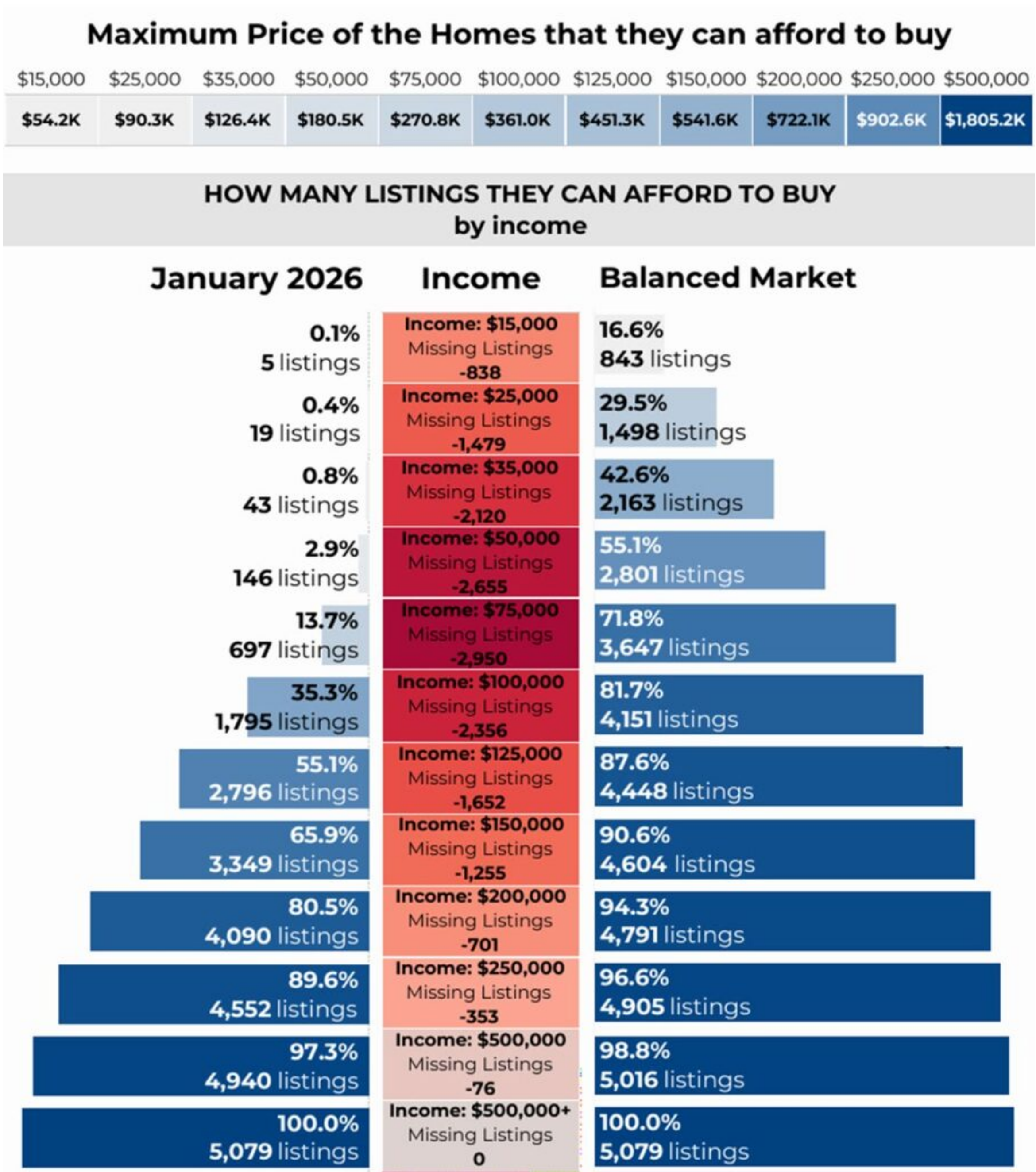
As of June 2026 in Knoxville, housing affordability remains highly segmented by income. Households earning under $50,000 face a severely limited market, with only 6% or fewer listings within their reach even with a mortgage.

Households making $100,000 per year can only afford 20% of listings.

The majority of available homes are inaccessible to middle- and lower-income buyers, who are often being cornered out of even their own bracket of attainable listings by buyers with more disposable funds.

The National Association of REALTORS® recently conducted a study on tiers of affordability in the Knoxville MSA, as of January 2026.

This striking graphic illustrates that most of the missing listings are in the range that would be affordable to the median household income or below; the right side shows what a balanced market would look like at today's inventory level.



Investor Activity

In this report, investors are defined as parties with the terms LLC, Inc, Trust, Corp, Partners, Homes, and/or Acquisition as well as by contract type. This analysis includes personal trusts and does not segment investors by size.

In Knox County, investor activity in the housing market has moderated following a peak of 14% of all purchases in 2022. Investor purchases accounted for only 9% of home sales in 2025, up very slightly from 8.85% in 2024. This suggests a retreat from the heightened speculative activity that marked the pandemic-era housing boom.

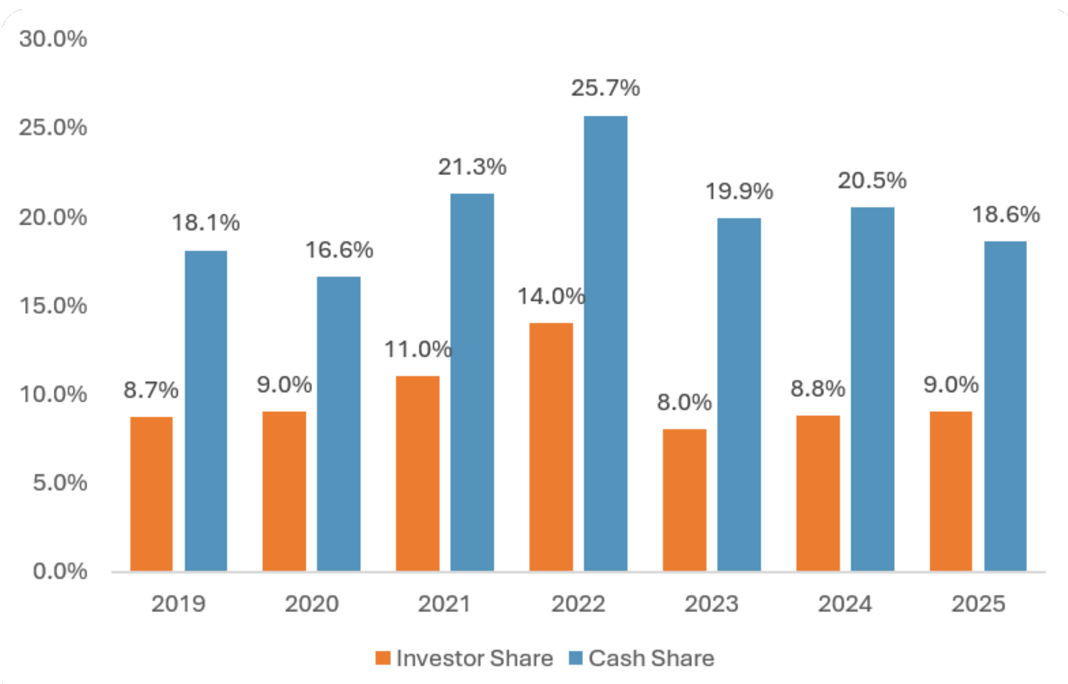
The sharp drop from 2022 reflects tighter financing conditions, higher borrowing costs, or diminished profit margins amid elevated home prices; Knoxville is no longer a high-volume lucrative market for investors seeking quick-turn home flips or rentals.

Meanwhile, the share of homes purchased with cash has also flattened, dropping to 18.6% in 2025 from 20.5% in 2024.

While these data provide a snapshot of investor presence, they likely overstate the true impact on housing supply, as local data does not separate long-term investors from buyers who quickly resell properties. In both categories, investor impact on the market is minimal at this time.

Investor Market Share and Cash Sales

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



Source: ETNR analysis of public records

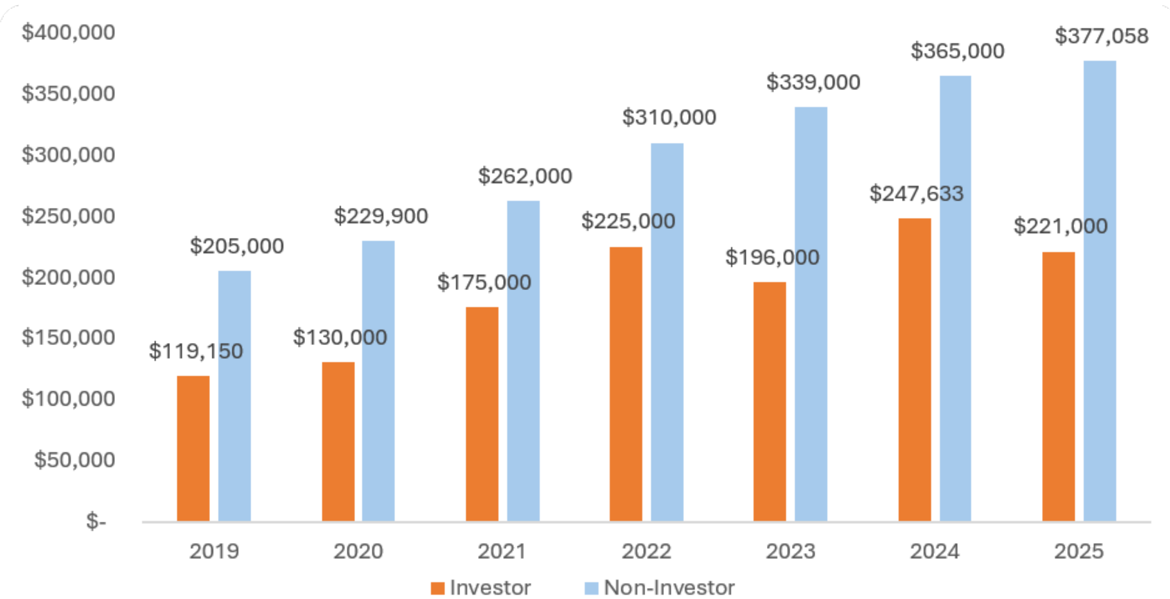
Investor market share estimates are based on ETNR's analysis of public records data provided by the Knox County Register of Deeds Office. For the analysis, investor purchases are defined as county sale records where the grantee's name includes at least one of the following terms: LLC, Inc, Trust, Corp, Partners, Homes, and/or Acquisition. This standard methodology is used by Redfin, Realtor.com and others.

Investor purchases do not put upward pressure on home prices in East Tennessee. The median purchase by investors is $150,000 lower than the median purchase price by non-investors.

It is also notable that investor purchases did not put upward pressure on home prices. On average, investor purchases were more than $150,000 less than the median home price. This indicates that investor activity is focused on the lower-priced segment of the market and is not facing competition that would drive up purchase price.

Investor Purchase Prices

Median price of home sales purchased by an investor vs. purchased by non-investor; Knox County



Source: ETNR analysis of public records

Rental Housing

East Tennessee's rental market experienced a continuous growth trajectory since 2020, with the region consistently ranked among the top U.S. markets for both rent growth and occupancy.

Starting in the fourth quarter of 2024, rent began to flatten gradually as an influx of multifamily building in 2023 was added to the market. However, in 2025 the pace of multifamily building slowed again. By early 2026, rents began slowly rising. The market is extremely responsive to supply after the steep rent increases of 2020-2024.

In addition to broad supply constraints, the market has supplied more top-tier Class A units than Class B or C, the more affordable counterparts.

Rents

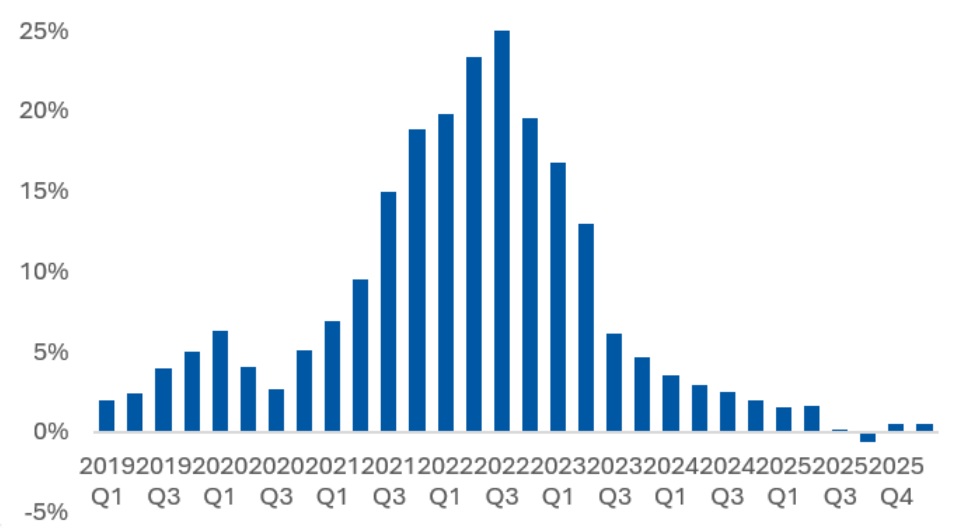
The apartment market has experienced significant fluctuations in year-over-year (YOY) effective rent changes over the past several years, according to RealPage Analytics. From modest increases in 2019, with rents rising between 2% and 5%, the market saw accelerating growth through the pandemic period, peaking in 2022 with a high of 25% YOY rent growth in Q3.

Effective rent growth slowed to approximately 0.5% in 2025 Q4 and 2026 Q1 after approaching zero and briefly turning negative in 2024 and early 2025. This change is a stabilization of rates after steep increases in post-pandemic years, when occupancy was highest.

However, even a negative increase does not erase the price gains of the past five years; for an apartment that costs $1,500 per month, a 3% decrease across the first 3 quarters of 2025 would have only amounted to $45. Because the vast majority of renters have a 12-month lease, small changes during the year would not affect their payments or offer any savings.

Annual Rent Growth

Year over year same-store Effective Rent Change: Knoxville TN MSA



Source: U.S. Census Bureau

Supply and Production

The rental market in the Knoxville MSA has shifted from extremely tight in 2022-2023 to nearly balanced in 2025. Toward the end of 2025 and early 2026, multifamily supply has slowed substantially and we expect occupancy to tick up by the end of the year.

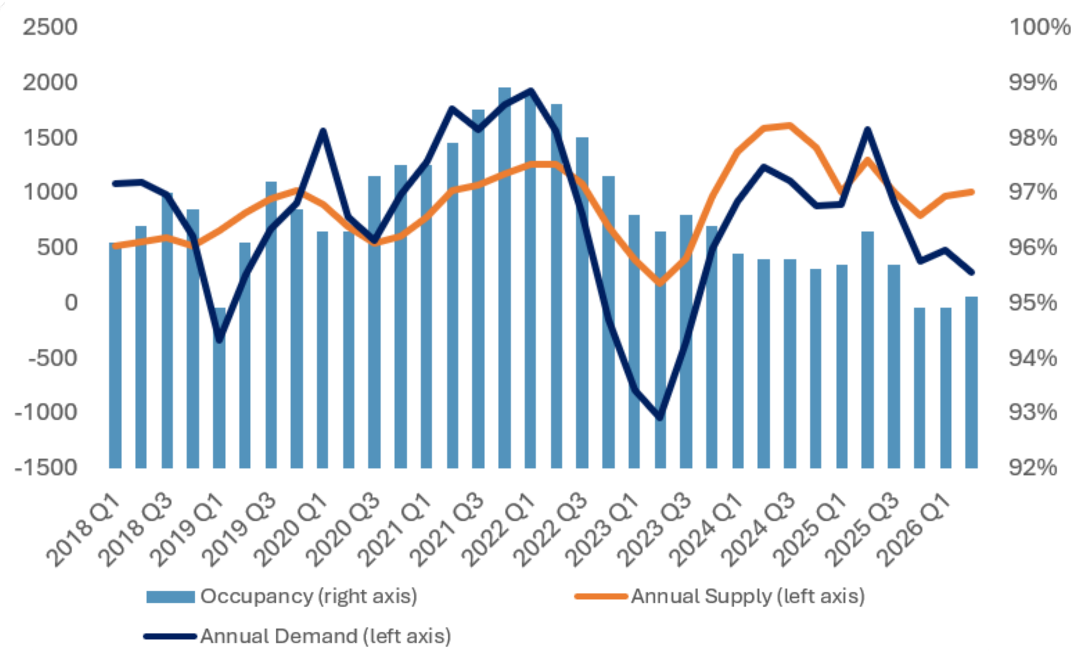
Occupancy peaked in recent years at 99% in 2022, gradually falling to 95% in 2025 as supply was delivered. Conventional wisdom would indicate that a healthy market occupancy is around 93%.

Construction completions appeared to increase substantially in 2024, delivering a high volume of new units and averaging over 1,600 units per quarter. Yet, occupancy remained steady at 96%, suggesting the market absorbed the new supply without a dramatic drop in overall occupancy. One reason might be the University of Tennessee, Knoxville; out of those units, more than 2,300 were intended for student housing and quickly leased.

In 2025, more than 3,500 unit permits were issued, but only 1,300 of those are scheduled to deliver in the next 12 months. This raises a question about whether regulatory and construction timelines are creating a lag in the market, slowing the typical responsiveness of the rental market. Occupancy currently stands at about 95%.

Rental Market Trends

Knoxville TN MSA



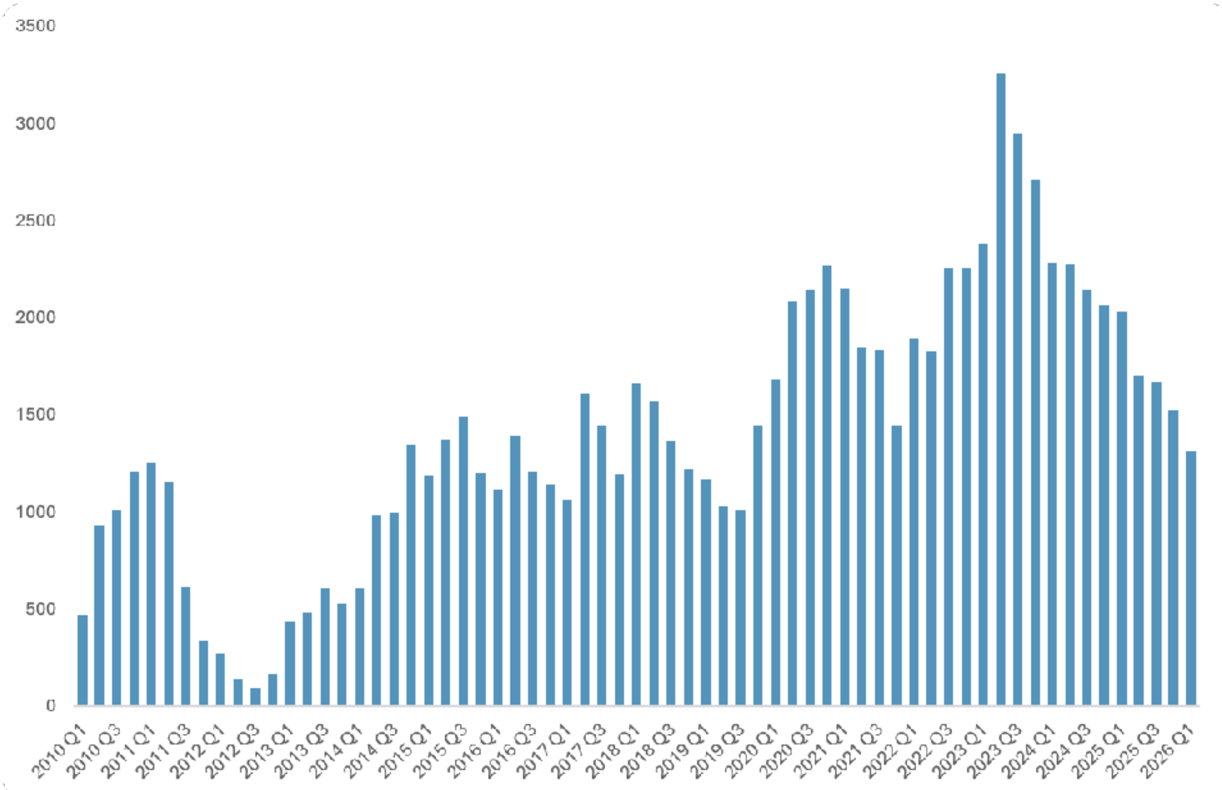
Source: RealPage Analytics

Out of the unit classes, Class A (typically newer, more premium) units stand at a healthy 93.2% occupancy whereas Class C (typically the most affordable) units are still extremely tight at 97% occupancy as of Q1 2026.

Units under construction declined from a peak of 3,257 in 2023 Q2 to 1,311 in 2026 Q1. While the reason for this slowdown in unclear, it is obvious that the current pipeline is not scheduled to deliver at the rates of the last several years. This construction pause could limit deliveries over the next 24 months, putting upward pressure on occupancy and prices.

Pace of multifamily permitting and completions has slowed

Apartment units under construction: Knoxville, TN MSA



Source: RealPage Analytics

Cost burdens among renter households vary significantly by income level in East Tennessee, with lower income residents being left behind by steep rental increases from 2020-2024.

Census data on the percentage of cost-burdened renters is not yet available for 2025; for 2024, about 46.8% of renters in the MSA were spending more than 30% of their gross monthly income on rent. About 24% of renters were extremely cost-burdened, meaning that they spend more than half of their gross monthly income on rent.

The median renter household income was only $48,000 – below what is considered to be the line of poverty in the region for households of two people or more.

The distribution of cost-burdened renters is intuitive: 73% renter households who make an annual income of $35,000 or less are cost-burdened, 60% of those earning $35-50,000, and 36% of those earning up to $75,000. Above $75,000, only 6% are cost-burdened.

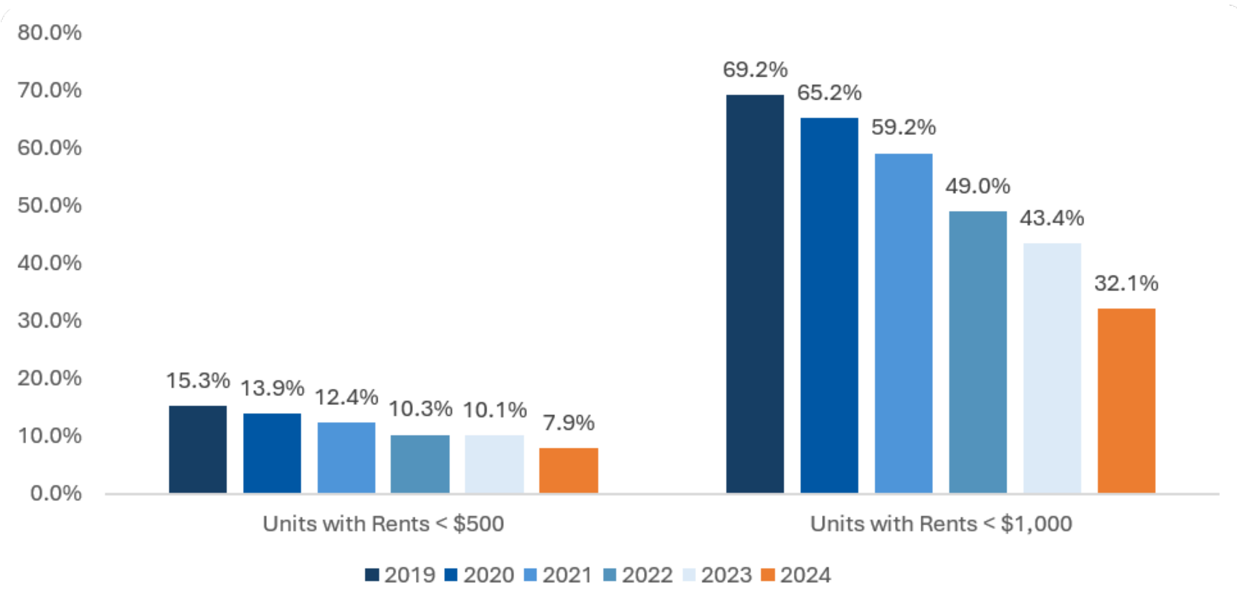
The share of housing stock with lower rents in the Knoxville, TN MSA declined steadily between 2019 and 2025.

The share of units renting for less than $500 fell from 15.3% in 2019 to 7.9% in 2024. The share below $1,000 declined even more sharply, from 69.2% to 32.1%.

This trend shows that the loss of naturally lower-cost units is a central reason that cost burdens remain high despite the recent slowdown in rent growth. The supply of affordable rental housing is shrinking, and the supply of premium rentals is growing; pricier Class A units were the main driver of rent growth and may be obscuring the true demand category in Class C.

Supply of low-cost rental units

Share of housing stock with low rents: Knoxville, TN MSA



Source: U.S. Census Bureau

Housing Challenges

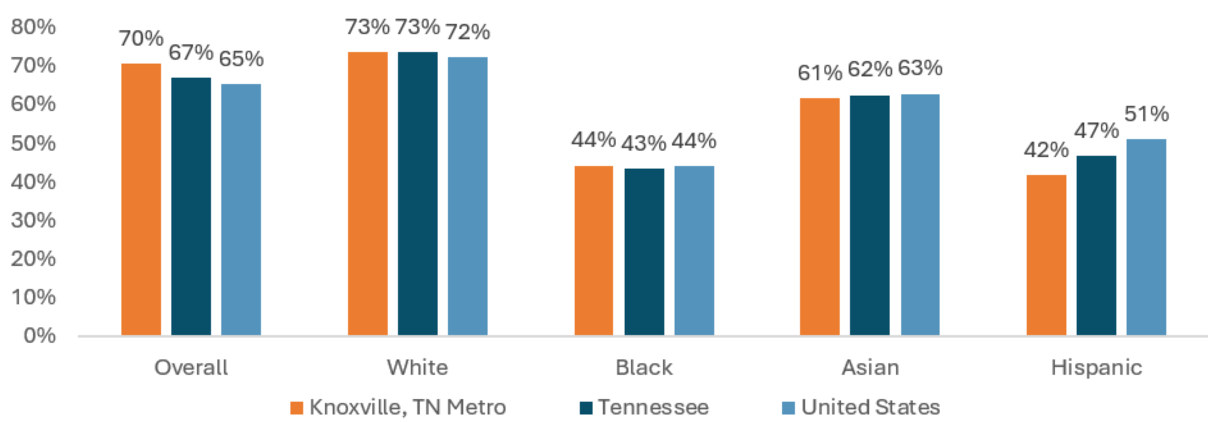
Housing Disparities

Racial disparities in housing affordability remain stark across East Tennessee counties, with the share of active listings affordable to households earning the median income differing widely by race.

In Knox County, for example, 43.9% of listings are affordable at the Asian median household income, compared with 21.8% at the White median, 7.6% at the Hispanic/Latino median, and 5.4% at the Black median. County variation is also substantial, demonstrating that regional affordability cannot be summarized by a single metro-wide percentage.

Ownership trends

Homeownership rate by ethnicity



Source: Census Bureau, 2024 ACS 5-year estimates

This pattern of disparity is echoed throughout the region. In Monroe County, just 1.2% of listings were affordable to Black households, while over 53% were accessible to Asian households.

These figures show that the region has not made measurable progress in addressing the uneven distribution of housing opportunities by race. While the overall trajectory has improved, some racial groups have been left entirely behind, exposing structural inequities that still limit homeownership access and upward mobility for communities of color.

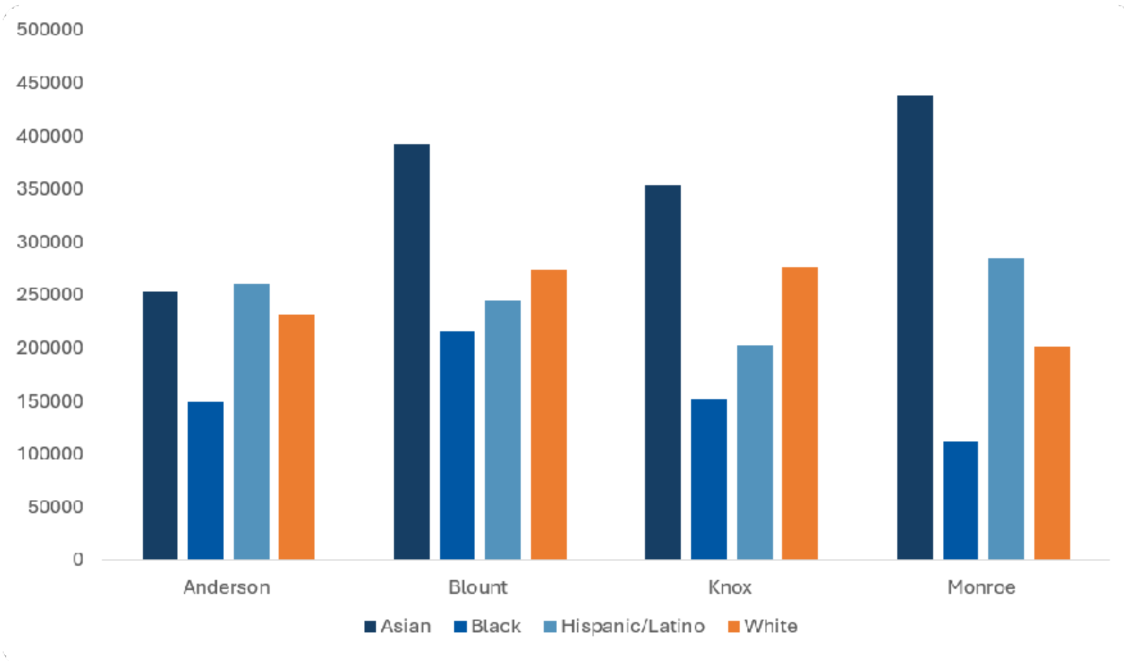
In May 2025, the maximum affordable home price varied widely by race across East Tennessee counties, reflecting significant income disparities that shape housing access. In Knox County, for instance, the maximum home price affordable to Black households was just $152,419, barely half that of Asian households at $353,813.

Similar gaps appear in other counties: in Blount County, Asian households could afford homes priced up to $391,473, compared to $215,572 for Black households and $244,896 for Hispanic/Latino households.

In Monroe County, the difference between Hispanic/Latino households ($284,937) and Black households ($111,253) was particularly large. These communities are at a severe disadvantage for purchasing power in nearly every county in East Tennessee.

Ownership trends

Maximum affordable home price by race



Source: U.S. Census Bureau American Community Survey and ETNR
Note: Data as of June 2026. Assumes a 5% downpayment 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.

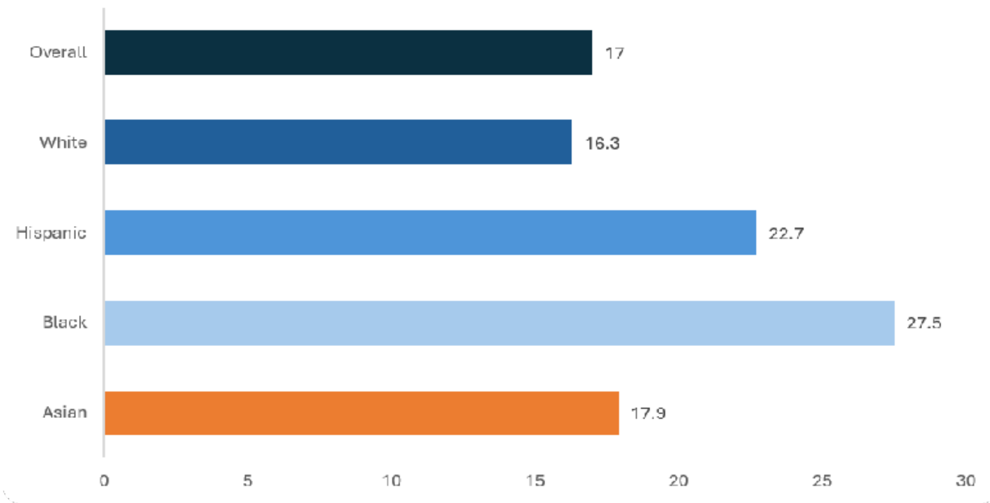
In Knox County, recent data on mortgage applications reveals that mortgage-market participation remains geographically segmented by race and neighborhood income.

Among applications associated with low-income neighborhoods with households making below 80% of the area median income (AMI), the share of mortgage applications is 34.3% for Black applicants, 19.6% for Hispanic applicants, 13.3% for White applicants, and 9.6% for Asian applicants. In high-income neighborhoods where households make more than 200% AMI, the corresponding shares are 3.2%, 6.5%, 9.7%, and 16.6%.

Significant racial and economic divides remain in access to mortgage opportunities across East Tennessee. The average denial rate is 17.0% overall. Black applicants face the highest rate at 27.5%, followed by Hispanic applicants at 22.7%, Asian applicants at 17.9%, and White applicants at 16.3%. This metric has not improved at all since 2024.

Ownership trends

Mortgage denial rates comparison, average denial rate

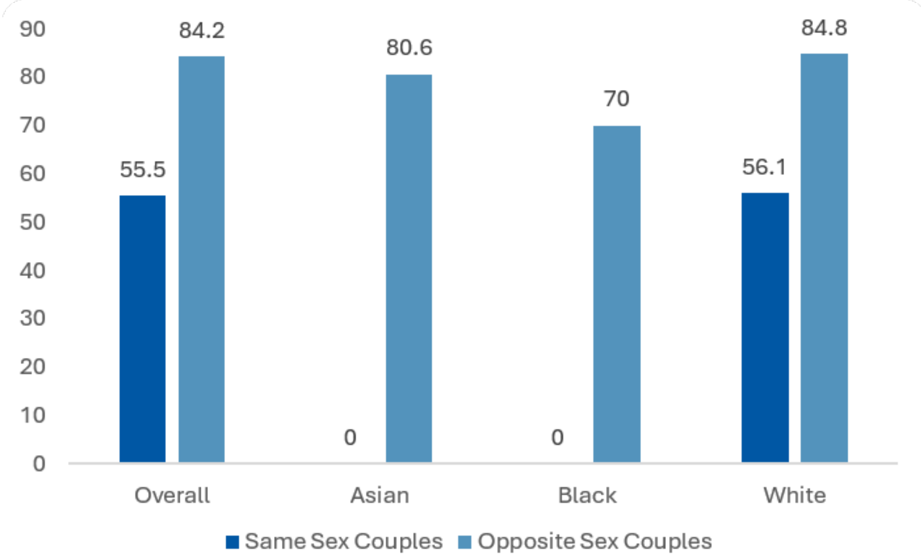


Source: ETNR analysis of HMDA data for Knox County, TN

The data also reveals disparities based on sexual orientation. According to the most recent 2024 ACS PUMS tabulation, only 55.5% of same-sex couples are homeowners compared with 84.2% of opposite-sex couples.

Ownership trends

Homeownership rate by race and sexual orientation: Knox County TN



Source: U.S. Census Bureau, 2024 ACS 5-Year Estimates Public Use Microdata Sample Note: Non-couple households are excluded

This gap is especially pronounced among racial groups: White opposite-sex couples have the highest rate at 83.9%, compared to just 49.9% for White same-sex couples. Black and Asian same-sex couples report a 0% homeownership rate, in contrast to 66.9% and 80.4%, respectively, for their opposite-sex counterparts.

Note: The sample size for Black and Asian same-sex couples may be too small for an accurate reporting.

Higher Development Costs

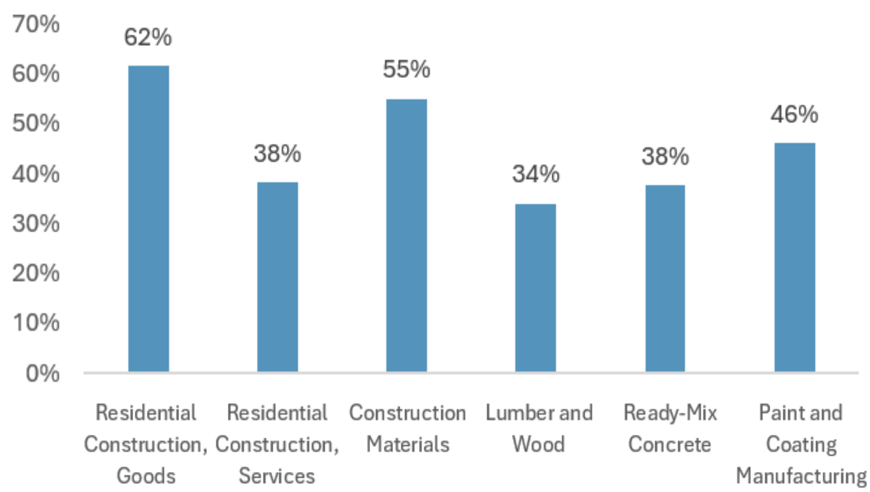
Higher development costs persist, and are one of the main drivers of the purchase price of a home. These are not all physical and vary from regulatory costs, zoning rules that inhibit density, insurance costs, the cost of money as processes become burdensome, and more.

As of May 2026, prices rose 61.6% for residential-construction goods and 38.3% for residential-construction services than the 2020 pandemic baseline. Construction materials rise 55.0%, lumber and wood products 34.0%, ready-mix concrete 37.6%, and paint and coatings 46.2%.

Even though the rate of goods inflation has been slightly slower in 2025, it has yet to reverse the cumulative increase in development costs. These costs, in turn, put direct upward pressure on housing costs and construction budgets, which frequently are passed on to the consumer.

Building material prices remain expensive

Change in price 2020-2026



Source: Producer Price Index, Bureau of Labor Statistics

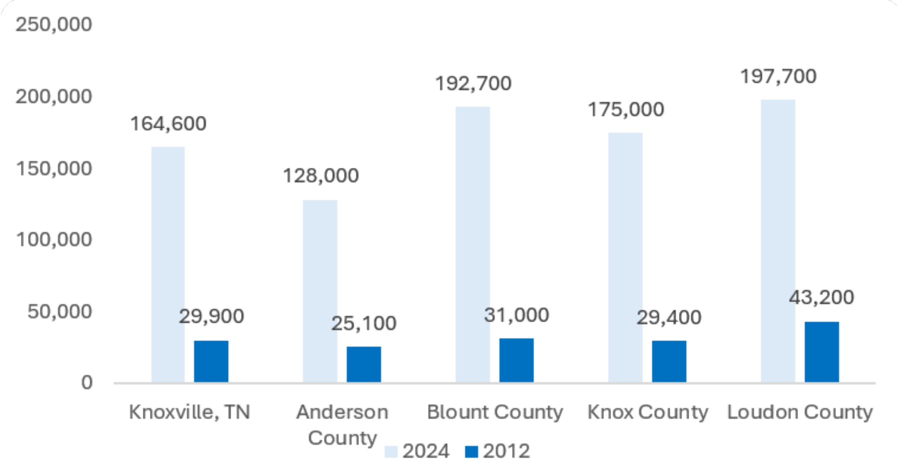
The average value of a standardized 1/4-acre lot has continued to rise despite flattening home prices. This may be due to additional scarcity of land because of zoning, weather or other issues. In Knoxville, the average lot value rose nearly fivefold from $29,900 to $164,600 by the end of 2024.

Similar trends are seen in surrounding counties: Anderson County jumped from $25,100 to $115,000, Blount from $25,100 to $128,000, Knox from $29,400 to $175,000, and Loudon saw the steepest climb, from $43,200 to $197,700.

The cost and availability of land has become one of the housing market's biggest structural constraints. Decision makers will need to consider how to encourage more density per acre.

Land costs have appreciated steeply, making building more expensive

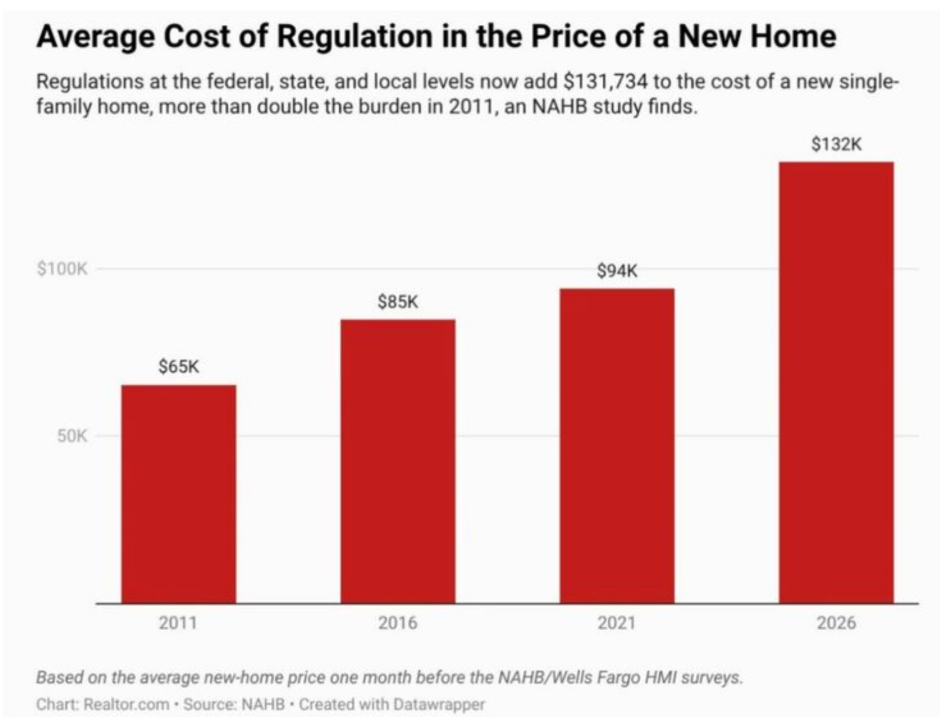
Average value of ¼ acre lot (Standardized)



Source: AEI Housing Center

Several research studies were recently conducted, showing that regulatory costs nationwide have begun adding a significant portion of costs to new homes.

The National Association of Home Builders calculated that regulatory costs nationwide have increased nearly 40% in the last 5 years and now comprise 26.4% of the total cost of the average home. Noting that the national average cost of a new home is about $500,000, this means that $132,000 of the total is regulatory cost. This is a huge issue for families struggling to afford a place to live.



Updated Market Forecast

The return of sales and buyers to the market in the second half of 2025 and first half of 2026 has been a long-awaited improvement for the East Tennessee community. Thus far, sales and inventory are both slightly outperforming our initial forecast.

The outlook for the remainder of the year continues to be significantly impacted by unforeseeable events in the national and global theater, and the market's reaction to those events. The East Tennessee REALTORS® initial sales forecast was slightly conservative, considering that mortgage rates and availability should have brought homebuyers into the market in 2025, but ultimately did not make a material difference that year.

So far in 2026, we have seen market momentum increase based on what appears to be demand created by necessity and major life changes for local consumers and new residents alike. With that in mind, we have slightly revised the forecast for the year.

Home prices are forecasted to grow modestly in 2026, at an annual increase of 3.1%.

Single family home price growth decelerated in 2025 but remains above both the area historic average and national averages. Home prices in the Knoxville metropolitan statistical area[1] rose 2% year over year in the third quarter of 2025, according to the FHFA House Price Index (HPI), down from 6.5% in the previous year. Demand will still put upward pressure on prices, even as the market normalizes, and the explosive start to sales in 2026 strained inventory further.

Total home sales in 2026 are forecasted to increase 6.1% from 2024.

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 and 4.7% growth in 2025. Inventory and demand increased significantly in Q4 of 2025 and into 2026, despite national uncertainty.

Revised: Apartment rent growth in 2026 is forecasted to stay flat at -0.08% growth.

Rent growth slowed in 2025; rents in the area rose only 0.5% from the previous year in Q4 2024, and dropped 1.5% cumulatively across 2025. While apartment stock has increased and helped to slow price growth, demand is still outpacing supply and the expected delivery in 2026 is low. Occupancy is expected to stay steady in 2026 at 95%.

About the Report

Published annually by East Tennessee REALTORS®, the State of Housing Report offers a high-level analysis of the latest housing and economic data 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.

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