

2026 Housing Market Forecast



A Message from the President

2026 promises to be a year of recovery, renewal and opportunity.

A few weeks into the year, East Tennessee real estate is already seeing an unusually busy winter season – a reflection of both market momentum and the resilience and professionalism of our members.

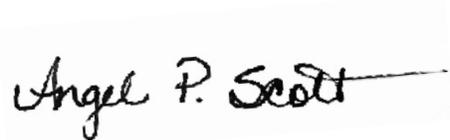
As we emerge from more than 5 years of rapid growth and change into a new era of stability and promise, this is the moment to be grateful: For the growth itself, and the opportunities it brings for transformation. Growth challenges us to be intentional, lead with our eyes open, and take a fresh look at how we can serve.

East Tennessee is a wonderful place to live not only because of our hardworking people and natural beauty, but because we have a strong culture of caring for others and working together for our community's shared interests.

This Forecast Report provides an outlook for our housing market in 2026, intended to help you better understand and prepare for the coming months. 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.

We are pleased to be your trusted local resource for housing information, research and data in our region. I encourage you to engage with our social media and newsletters for frequent updates throughout the year.

Most importantly, know that we are here to help as you care for yourself, your team, your customers and your community. When we invest in each other, we can build a bright future that works for everyone.



Angel Scott

2026 President

East Tennessee REALTORS®

2026 Housing Market Forecast

The East Tennessee housing market reset continues in 2026. Positive sales growth and slowing price gains in 2025 showed a path to stability, building on 2024 improvements.

Locally, consumer attitudes reflect the national story: concerns about inflation, sluggish jobs reports and volatile economic policy have kept buyers cautious. December 2025 was the first month of real momentum for the housing market, with East Tennessee single family home sales shooting up 16% month-over-month and 15% year-over-year.

In 2026, we predict that consumer reaction to mortgage rates will be the most impactful variable for volume of home sales.

Much of this movement can be attributed to excitement about dropping mortgage rates. With homeowner equity at an all-time high and a growing stock of inventory, home sales in 2025 should have been much more robust if purely a calculation of market economics. However, consumers have stubbornly held out for perfection with high expectations across budget tiers for everything from décor finishes to lending rates.

Home prices are forecasted to grow 3.1% in 2026.

Existing home price growth slowed in 2025, thanks to slight improvements in inventory and market movement. In 2026, we expect population growth and limited inventory in the lower-priced half of the market, which will keep exerting upward pressure on prices. Home prices in the Knoxville metropolitan statistical area¹ rose 2.6% year over year in the third quarter of 2025, a significant improvement from 6.5% in 2024 and 11.3% in the previous year. Price growth will be offset by loosened inventory and demand.

Total home sales in 2026 are forecasted to increase 6.8% year-over-year.

Home sales grew 4.7% in 2025, a welcome improvement after only 1.8% growth in 2024 following several years of consecutive declines. While the potential existed for an even more robust year, recovery has been slow due to mismatched inventory, mortgage rate patterns and consumer concerns around macroeconomic trends. Assuming that mortgage rates average in the 6-6.3% range, we expect home sales to outperform last year.

Apartment rent growth in 2026 is forecasted to drop slightly at – 1.6%.

Rent growth began to drop in Q2 of 2025, ending Q4 down 1.5% from 2024. A surge in multifamily production in 2024 was delivered in 2025, dropping occupancy from 96.57% to 95.88%. While apartment stock has increased and helped to flatten rents, demand is still outpacing supply. Occupancy is expected to stay steady in 2026 at 95.6%.

¹ Source: FHFA Home Price Index (HPI) and East Tennessee REALTORS® calculations. 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

The national economic outlook is at a crossroads as we enter 2026. Inflation has been more stubborn than expected but continues to slowly decline, helped along by a series of rate cuts from the Federal Reserve in the fall of 2025. At the end of December, the Core Price Index (CPI) inflation rate was 2.4%, much closer to the central bank’s goal of 2% than the previous year.

National growth forecasts for the year are moderate. Federal economic, trade and workforce policy changes have had unpredictable results, adding volatility to an already slow recovery. Some of these policies have had an immediate impact.

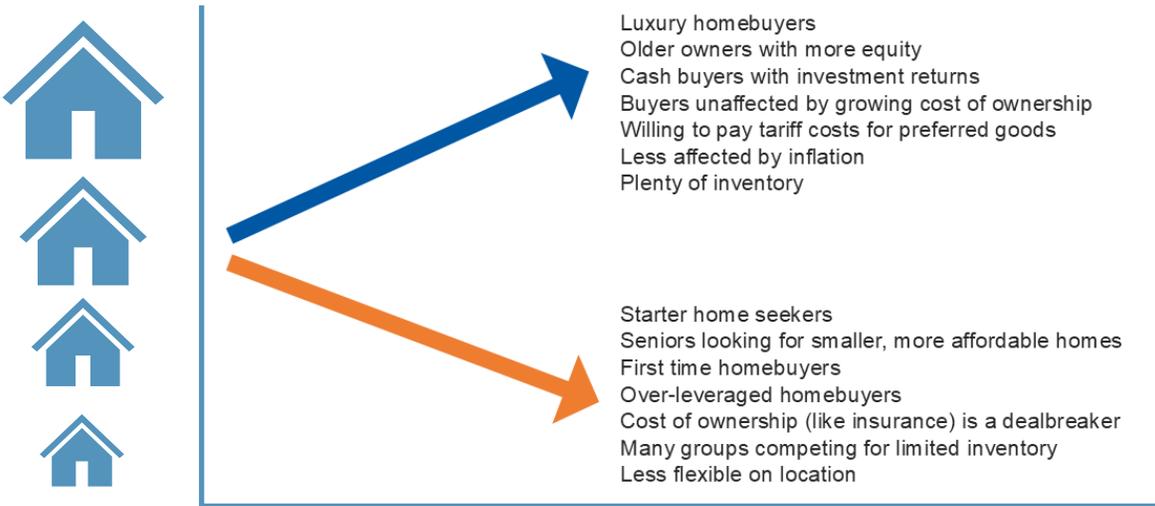
Consumers are more aware of national economic narratives than ever before, and their reaction in spending shows that affordability is top of mind. Under what has been dubbed the “K shaped” economy, the top income scale may be flourishing, while those making less are seeing rosy headlines but feeling the pinch at home.

This effect is clear in the national and local real estate industry as well. Rising land costs, labor costs, land use policy and other cost drivers have combined with low housing supply to push up the cost of existing homes. For the first time in late 2024 and 2025, new homes are more affordable than existing homes, partially thanks to incentives offered by homebuilders.

The result is a split economy of home sales. At the top of the price range, buyers have a healthy amount of equity, often pay in cash, and are not in a rush to find the perfect purchase. Inventory is plentiful, and single-family homes have larger footprints. At the lower end of the price range, demand far overshadows supply. Senior-aged buyers with cash compete with buyers on a budget over a handful of affordable listings, and these customers are much more sensitive to changes in conditions such as mortgage rates.

The “K-shaped” Economy of Real Estate

Consumer spending power, behaviors split into two groups



Inflation and Mortgage Rates

Mortgage rates have continued to trend downward for nearly 3 years, opening up a section of new affordability for potential homebuyers.

According to [Freddie Mac's Primary Mortgage Market Survey](#), the 30-year fixed mortgage rate (30Y FRM) reached a new 3-year low of 6.06% as of the week ending January 15, 2026. This rate is down 0.98 points from one year ago at 7.04%.

Experts estimate that the 30Y FRM will range between 6-6.5% in 2026. However, this is highly dependent on policy actions.

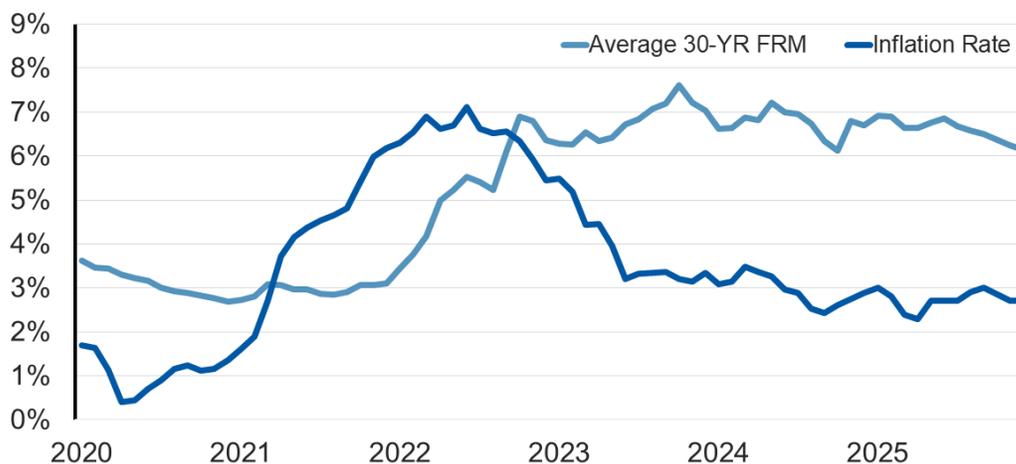
Consumers on the lower to middle end of the income spectrum should begin to enjoy better affordability in 2026 but are also grappling with realities like a softening job market and inflation of everyday goods. These contending forces are expected to keep loan applications relatively steady.

At the end of 2025, the market demonstrated how rates may act as the catalyst to turn years of pent-up demand into home sales. Home sales in Q4 jumped in reaction to the announcement of a potential one-time investment in mortgage-backed securities. As rates responded by dropping from 6.15% to 6%, customers celebrated the boost in affordability and powered an unseasonably high number of December home sales. The “lock-in effect” of low 2-4% mortgages also continues to wane as homeowners have built enough equity to bridge the gap between their existing rate and today’s ~6% rate.

Note: In many instances, federally collected data is not available for the month of October 2025 due to the

Inflation and Mortgage Rates

Average 30-YR FRM vs. Inflation Rate



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

recent government shutdown and pause in appropriations. Where possible, this report shows data series as continuous without that entry. Footnotes indicate necessary adjustments.

While the Federal Reserve made several rate cuts in the second half of 2025, the future of central monetary policy is on uncertain footing. Current Federal Reserve Chair Jerome Powell ends his term in May, and the market is watching closely to see how the next chair’s approach may differ from traditional expectations. As of January 2026, the [CME Fedwatch](#) tool shows that experts do not expect another rate cut at the next few meetings.

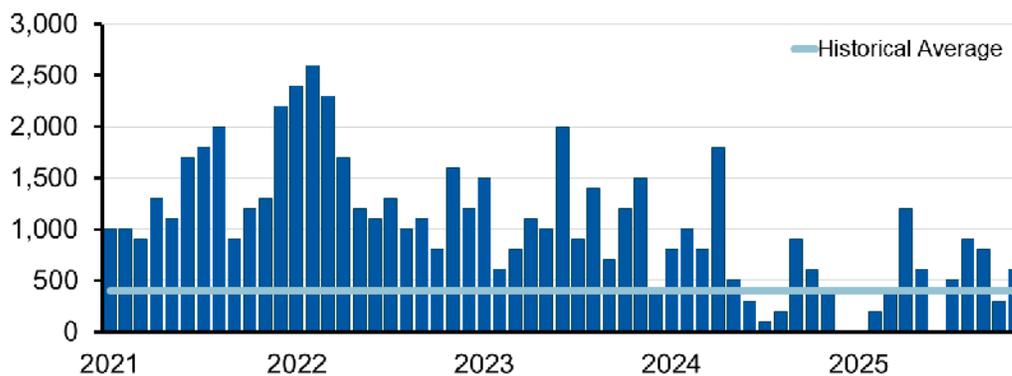
Jobs and Wages

East Tennessee is expected to see slower but more stable gains in 2026 and 2027 with continuing net population increase, payroll employment growth and jobs growth, aligned with expectations for the state. According to Moody's Analytics estimates, inflation-adjusted gross domestic product (real GDP) in the Knoxville MSA expanded by 2.3% in 2025 and is projected to grow by 2.7% in 2026.

Job growth in the Knoxville MSA slowed slightly in 2025, with approximately 5,940 jobs added and an unemployment rate of 3.4%; well below the national average of 4.4%.

Pace of Monthly Job Gains

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

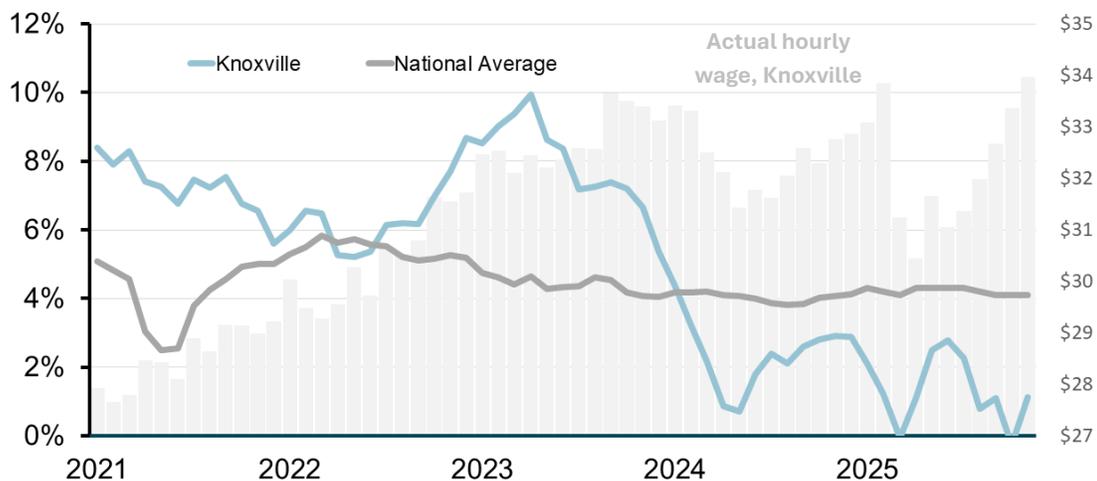


Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

Wage growth has been flat after large gains in 2022 and 2023, but in context the average hourly private wage has overall seen healthy growth from \$25.54 in 2020 to \$33.97 at the end of 2025 – nearly 33% in 5 years.

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 continued to improve in 2025, alongside decelerating price growth. Opposing forces have kept home prices level in East Tennessee as the rate of growth slows.

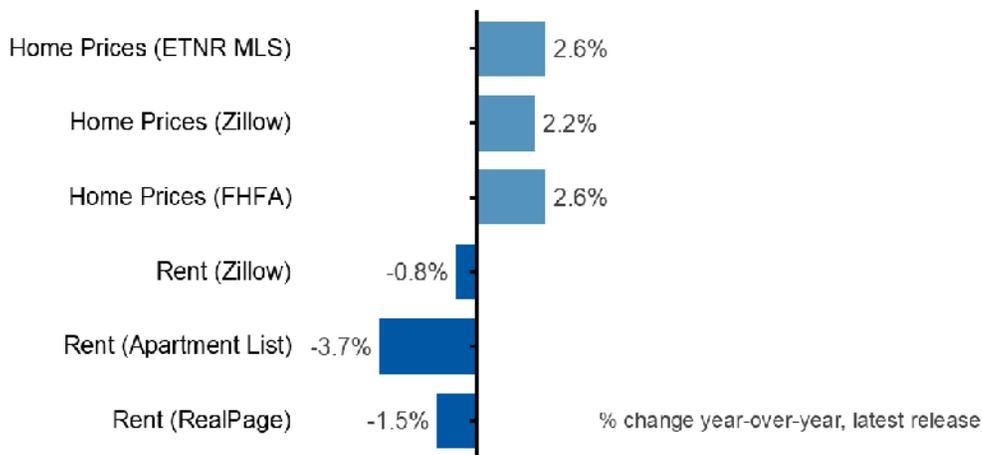
Increased supply and lowered interest rates have helped with affordability, in addition to efforts from policymakers, lenders, homebuilders and industry professionals to offset homebuyer costs and find alternate sources of funding.

Affordability headwinds include the continued population growth and demand in East Tennessee, the scarcity of available lots, the growing cost of labor and construction materials, and overly restrictive land use and regulatory policies.

Overall, we saw vast improvement in affordability in 2025 compared to the previous year.

Growth in Measures of Housing Costs

Knoxville, TN Metro Area



The outlook for 2026 is more promising. As inflation remains steady above 2% and home price increases have dropped, wages begin to have an opportunity to catch up to the cost of homeownership. Inventory also continues to increase, creating space for affordability. For the first time in April of 2025, total active inventory exceeded pre-pandemic supply. As of December 2025, East Tennessee had nearly 5 months of supply on hand.

This improved affordability within the year will depend heavily on mortgage rates remaining below 6.5%; other policy changes have a much longer lead time for tangible results.

The National Association of REALTORS® estimates that the 1% drop in mortgage rates from 7% to recently near 6% allows 14,233 more households to afford the median priced home in the Knoxville MSA.

Lending rates make up much of the increased affordability over the past 12 months. The chart below illustrates the difference year-over-year: The median sale price in East Tennessee rose slightly by 2.6%, but the 30-year fixed mortgage rate improvement offset the price appreciation.

In this example, a family would be able to access an additional \$9,500 of home value on the same income, thanks to the improvement in rates.

Housing Affordability: 2024 vs. 2025

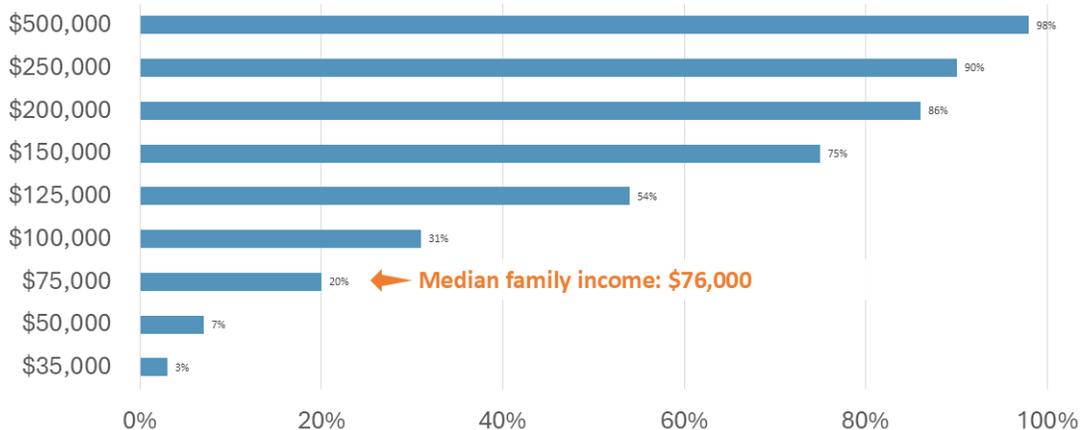
	2024	2025	Change	Change (%)
Interest Rate (%)	6.87	6.56	0.14	+2.0%
Median Sale Price	\$365,000	\$374,500	\$9,500	+2.6%
Down Payment & Closing Costs	\$47,450	\$48,685	\$1,235	+2.6%
Monthly Principal & Interest Payment	\$2,156	\$2,144	-\$12	-0.5%
Total Monthly Owner Costs	\$2,599	\$2,600	\$1	0%
Annual Income Needed	\$93,580	\$93,600	\$20	0%

Source: East Tennessee REALTORS® analysis of Freddie Mac, FHFA, and MLS data. 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.

Affordability is also affected by a mismatch of types of available inventory with demand. East Tennessee’s inventory is overly weighted toward more expensive single-family homes.

Most Residents Can Only Afford Small Share of Listings

Share of listings affordable by income, Knoxville MSA



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.

According to Moody's Analytics, the median family income in the Knoxville MSA was estimated to be \$76,000 in 2025. A family making the median income could only afford about 20% of the listings currently available in the East Tennessee REALTORS® MLS. In a balanced market, the median income should provide access to about half of active listings.

Housing Sales and Market Performance

East Tennessee’s housing market continues to stabilize. High demand, constrained inventory and lack of consumer confidence have created pent-up demand for several years, ripe for more opportunity in 2026 if mortgage rates remain at current levels.

Home Sales

Home sales across East Tennessee recovered to a positive growth of 1.8% in 2024 after several consecutive years of decline. Tight inventory across all price levels continued to hinder the market, and national macroeconomic concerns further held back purchase activity. For much of the year, the [Conference Board](#) reported all-time low consumer confidence, ending 2025 with 5 months of decline in the Consumer Confidence Index®.

This pent-up demand holds promise for 2026, and the most impactful variable to watch will be the enthusiasm of potential homebuyers who have been waiting for the right opportunity.

As borrowing rates improve, the subset of home buyers most likely to be affected are those who finance their purchase and are sensitive to affordability. These buyers will put additional pressure on attainably-priced homes at the mid-to-lower end of the price range, where quantity is already falling short of demand.

We anticipate that these opposing market forces will keep sales growth to single digits.

Home Prices

While home price appreciation continues to slow, demand and inflation keep upward pressure on prices. Following the forecasted scenario in which mortgage rates are favorable and stay in the low 6% range for the first half of the year, demand for homes will increase as more potential homebuyers are able to purchase.

Consumer excitement also outlasts the rate itself; we have already seen this play out with a 16% month-over-month increase in home sales at the end 2025. Mortgage rates dropped as low as 5.99% for a brief period of about two days, but momentum continued.

East Tennessee home values have held up to market pressures. Our latest Market Pulse member survey indicated that homes assessed at or above sale price in 98% of transactions, and as of December 2025 the sale-to-list ratio had risen from the prior year to a robust 98.5%. A significant decline in home prices remains unlikely.

We anticipate that home prices will hold steady in 2026, increasing slightly over 2025.

2024 Housing Market Forecast

Summary	2024 Actual	2025 Actual	2026 Forecast
30-Year Fixed Rate Mortgage (52-Wk Avg)	6.87%	6.56%	6-6.5%
Median Sale Price	+6.5%	+2.6%	+3.1%
Home Sales	+1.8%	+4.7%	+6.8%

Source: Freddie Mac; FHFA; East Tennessee REALTORS®

Rental Market Outlook

East Tennessee’s rental market has calmed significantly from the surges of 2021-2022, with rent dropping about 1.5% year-over-year at the end of 2025.

Occupancy has also improved, dropping to 95.6% at the end of 2025 from the record high of 99% in 2022. This is partially due to a record 2,400 multifamily units delivered between Q3 2023 and Q1 2025. While many of these were located in the University of Tennessee vicinity, this still eased supply constraints as students shifted closer to campus and vacated other rental properties on the edges of neighboring areas.

In 2025, the building trend slowed slightly but continued to improve with 1,119 units expected to be completed as of Q3, about a 1.8% increase in inventory over 12 months. Another 1,231 units are under construction and expected to be completed within the next 10-12 months, an increase in inventory of 1.9%. Most of the expected units are concentrated in Knox County.

While the growth rate has decelerated, rent is still relatively high and affordability low; As of the fourth quarter of 2024, average effective rent in Knoxville MSA has risen 63% – or \$587 per month – since 2020. During the same period, the average family income has only risen about 23% according to the U.S. Bureau of Labor Statistics. This is extremely healthy wage growth for our area, but it has not caught up to housing costs.

Renters in the region are still struggling afford their housing; 60% of renters are cost burdened (spending more than 30% of gross monthly income on housing) and 24% are extremely cost burdened (more than 50% of gross monthly income).

East Tennessee’s rental market is expected to stay flat in 2026 as net in-migration, above-average renewal rates, and underlying demographic trends continue to bolster demand in the year ahead, while supply is slightly behind. Multifamily construction closed out 2025 with a supply gap of approximately 850 units, and an estimated total of 56,400 units for the region.

As a result, rent growth in the Knoxville MSA is forecasted to decline 1.6% on an annual basis in 2026, while the occupancy rate is forecasted stay flat at an average of 95.6% in 2026, down just slightly from 95.9% in 2025.

2024 Rental Market Forecast

Summary	2024 Actual	2025 Actual	2026 Forecast
Occupancy	95.6%	95.9%	95.6%
Avg Effective Rent	\$1,485	\$1,465	\$1,445
Rent Growth	+0.5%	-1.5%	-1.6%

Source: RealPage; East Tennessee REALTORS®

Trends To Watch

Population growth to slow, younger movers incoming

Net migration into East Tennessee has slowed compared to the boom of the past 5 years, but is expected to continue growing at a steady pace. The 2026 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% has stabilized but is still outpacing the national rate of 1%.

Researchers expect this to remain steady for the next 2-3 years. While an exact date is not estimated, the 9-county Knoxville MSA is expected to reach the milestone of 1 million residents during this same period.

In 2024, the state added 8,000 new residents, with an interesting trend reversal on age. A welcome positive update, more than one third of the new residents were considered "prime working age," or between 25-54 years old. The largest portion of movers was between the ages of 25-39 and the second largest were 18-24. This is a promising reversal of the past few years, where the retiree population growth outpaced addition of working population.

During the population swell from 2022-2023, a disproportionate share of the inbound movers relocated to East Tennessee from larger MSAs with a substantially higher cost-of-living. This dynamic has eased somewhat, with researchers reporting that in-state moves have begun to outpace out-of-state moves for East Tennessee.

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

Top Origins	Top Destinations
Nashville	Nashville
Atlanta	Chattanooga
Chattanooga	Atlanta
Memphis	Washington, DC
New Orleans	Oklahoma City

Source: East Tennessee REALTORS®, U.S. Census Bureau, Apartment List

Mortgage rates further dilute the “lock-in” effect

The outlook for East Tennessee’s housing market in 2026 hinges on the trajectory of mortgage rates. For the past several years, many homeowners were reluctant or unable to move because they were “locked in” to a 2-4% mortgage rate. The jump to a rate of 7% or higher was unappealing.

The impact of this effect has been slowly eroded by lower rates and rising equity – good news for home buyers and REALTORS®. As of Q4 2025, home price appreciation in the Knoxville MSA reached 161% for a 5-year period. This value has allowed more homeowners to refinance or consider moving.

In 2025, the percentage of originations below 6% dropped to only 10.5% of all applications in the Knoxville MSA. In 2026, we expect to see this trend continue.

Distribution of Loan Applications

Applications by Loan Type

Conventional	 74.6%
FHA	 15.1%
VA	 9.4%
FSA/RHS	 0.8%

Applications by Average Rate

3%-4.5%	 0.2%
Below 3%	 0.2%
4.5%-6%	 10.3%
6%-7.5%	 36.1%
Above 7.5%	 17.7%

Source: National Association of REALTORS®

Remodeling activity on the rise

The National Association of Home Builders (NAHB) shared that its NAHB/Westlake Royal Remodeling Market Index (RMI) continued to rise in the fourth quarter of 2025 to 64/100, an unseasonably strong showing. Any value above 50 indicates that remodeling industry respondents feel conditions are becoming more favorable for remodeling.

Historically, the biggest driver of remodeling activity has been increased home equity. Markets where demand is high and supply unmet typically lead the way as homeowners seek to upgrade and invest in existing residences or purchase “fixer-uppers” to tailor to their liking.

According to 2024 data from the Home Mortgage Disclosure Act, Salt Lake City, Raleigh, Milwaukee and Grand Rapids led with the highest number of renovation loans per capita.

Conversely, more affordable markets with ample inventory at the bottom of the list included Houston, Memphis and Oklahoma City.

Watch for this trend to increase in the Knoxville area as lending becomes more affordable and equity continues to rise, coupled with limited supply.

Consumer sentiment and policy risks continue

Throughout 2025, consumer sentiment was rocky as potential homebuyers followed tumultuous national news of unexpected policy changes, inflation concerns and other economic uncertainty. Despite overall positive economic performance, the Consumer Confidence Index® fell again for the fifth straight month in December as apprehensions rose about jobs and income.

Consumer sentiment at the end of the year is nearing lows last seen immediately post-pandemic, an alarmingly pessimistic take for the circumstances. This suggests that the consumer experience is uncoupled from data.

For real estate, this has resulted in continued pent-up demand where consumers can afford to move or purchase a home but choose not to due to a more negative viewpoint of the market than the data warrants.

For our members, education, support and context will be the key to motivating buyers and unlocking sales in 2026.

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 110 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.

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