



# Market Pulse

By East Tennessee Realtors®

## Market Pulse

MARCH 2025

---

As we approach the spring, East Tennessee is seeing a gradual thaw in home sales. Our region reflects the national outlook, with consumers slightly slower to spend in February compared to January. This is likely due in large part to national market uncertainty, perceptions of inflation and policy-related concerns.

Indicators such as inventory, time on market and sale/list ratio show that the local housing market is primed for improvement. The scale is inching back toward balance and more affordable conditions for buyers.

While things are looking up, one of the most powerful barriers to housing affordability is public misunderstanding and pushback against housing, leading to harmful policies. To solve the affordability problem, we must first agree on the root causes.

If you only share one link this month, make it the Sycamore Institute's [concise new report](#) laying out exactly why Tennessee's housing is so expensive.

---

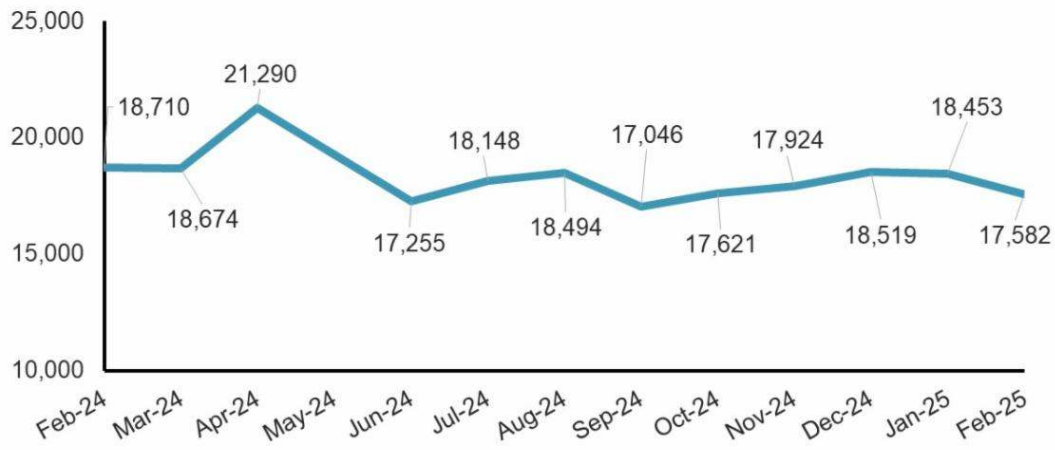
## Home Sales Report

FEBRUARY 2025

- East Tennessee **home sales** decreased 4.7% from the previous month.
- The **median sale price** was \$360,000 — up 1.8% from the previous year.
- Total **housing inventory** has increased 35.1% from the previous year.
- **Half of the homes sold were under contract in 41.5 days or less**, up from 28 days a year ago.
- 39.1% of homes sold for the **asking price or above**, with 19.2% selling for more than the asking price. 7.7% sold for at least \$10,000 over asking and 2.7% sold for at least \$25,000 over asking price.
- The **sale-to-list price ratio** decreased to 97.2% — down from 97.6% a year ago.
- **New construction** increased to 14.9% of total home sales.

*East Tennessee REALTORS® reports home sales data using a seasonally adjusted annualized rate (SAAR). This method takes into account seasonal fluctuations in the real estate market, such as increased home sales during the spring and summer, by adjusting the data to provide an annualized rate representing the projected number of homes that would be sold over a year if the current sales pace were to continue.*

## Seasonally Adjusted Annualized Rate of Home Sales East Tennessee



Source: East Tennessee REALTORS®

**What's the outlook?** Looking at home sales for the first two months of the year, 2025 sits at a slight increase over 2024 - about 0.3%. The median home sale price of \$360,000 in February is a relatively modest increase of 1.8% over last year. Time on market typically peaks in February each year before the spring season; the current span of 41.5 days is the longest recorded since 2019.

While home prices are still out of reach for many, a growing inventory of active listings continues to trend upward and create space in the market that could translate into more affordability for buyers in coming months. Improving mortgage rates should offer additional affordability, with the 30-year FRM dropping to 6.67% as of this writing.

Consumer confidence continues to be a challenge, with East Tennessee consumer behavior reflecting the national uncertainty and cautious spending. The Conference Board reported that their [Consumer Confidence Index](#) fell in February and March, now at its lowest since 2021. For local residents, home buying decisions are best measured against local opportunity; East Tennessee's regional economic outlook is rosier than the national narrative might indicate and consumer confidence is a key ingredient this year.

Affordability progress is much-needed: The Knoxville metropolitan statistical area ranked number 4 of the top 10 markets for price growth at the end of 2024, according to the FHFA House Price Index. A new visualization from the Home Builders adds context about new builds [here](#), estimating that a whopping 76% of households cannot afford the median priced new home.

Active listings in the East Tennessee REALTORS® Multiple Listing Service in February are up by 35.2% year over year. While February inventory shows some fluctuation month over month, it should be taken into context; all 12 counties in the footprint have increased inventory by double digits over February 2024.

---

## New Sycamore Institute report articulates causes of Tennessee's housing affordability problem

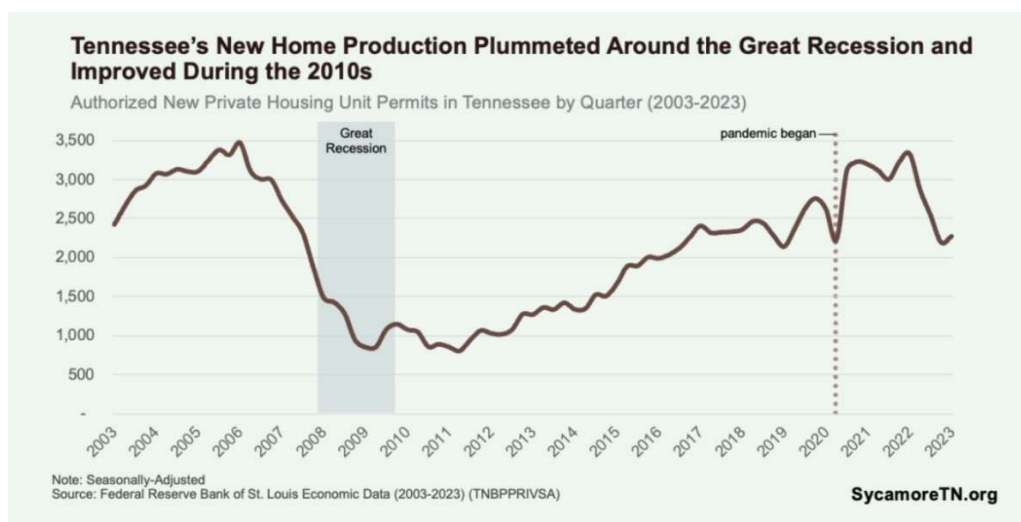
In East Tennessee and nationwide, a persistent myth paints economic development & growth as the main driver of housing costs. Commentary often singles out migration-based population increase. New development and business growth is blamed for making homes more expensive.

As a result, policies are put in place to attempt to restrict, slow or harness growth in the name of protecting the status quo, inhibiting housing supply.

The affordability solution is clear: Address our heavily weighted supply/demand imbalance by increasing supply to meet demand.

The newest report from The Sycamore Institute boils down the nuances to provide a clear, step-by-step roadmap showing exactly how we got to this point.

- New home production plummets during the Great Recession, and doesn't fully recover before the pandemic begins.
- Middle and East TN become more popular, retaining more residents and gaining new ones. Many incoming residents have higher incomes than existing residents.
- Demand for housing greatly outstrips supply, leading to rapid price increases.



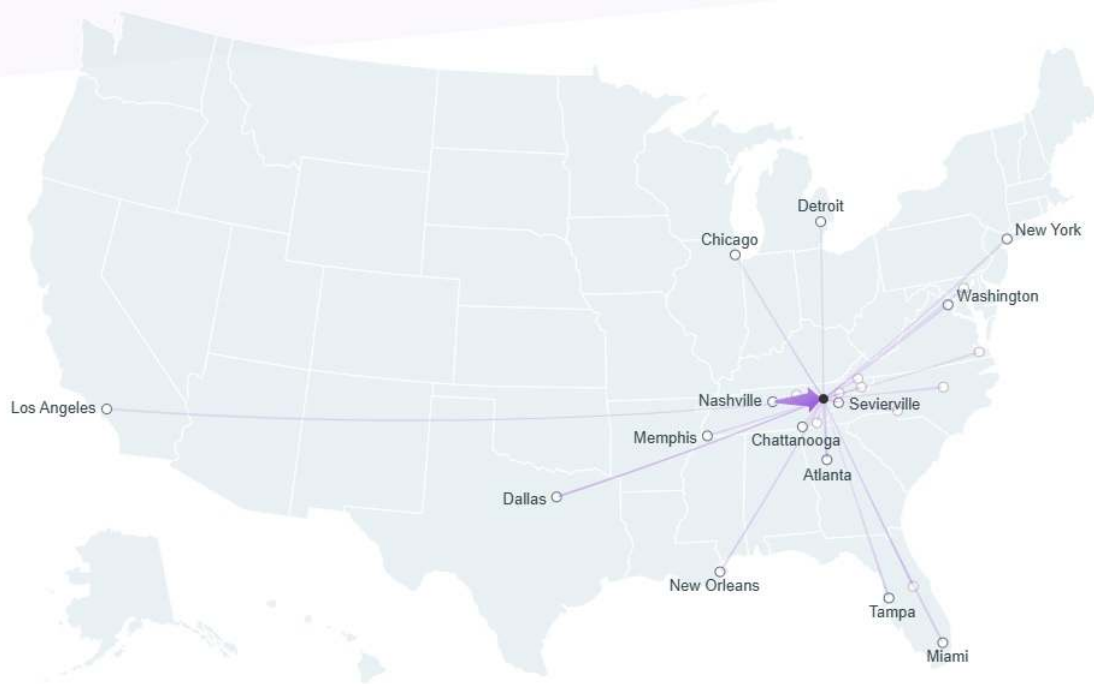
Of note, the effect of the price increases since 2020 have increasingly begun to affect rural areas as residents previously located in metro centers and suburbs have spread into neighboring counties in search of inventory and affordability.

[Read the full report](#)

## Renters migrate from Southern cities to East Tennessee

Apartment List recently released its latest migration report, using search functionality on the site to estimate where renters are moving from and to over the last year.

Renter movements in and out of East Tennessee, and the Knoxville metropolitan statistical area in particular, reflect the trends of home buyers. A majority of movers are coming from large Southern urban centers. The top three source cities are Nashville, Atlanta and Sevierville.



Outbound searches looked similar, with one notable difference - searchers are not moving from Knoxville to California.

57.8% of movers searching for Knoxville rentals were located outside of the 12-county metropolitan statistical area, while 42.2% were moving to another location within the area.

Tennessee is in the top 10 destinations for movers from California and New York, and ranked 5th for net migration of renters in 2024 according to the search data. While Census data for 2024 is not yet available, this aligns with local insight.

Knoxville's metro area also ranked 4th in the top 10 markets for "Most Out-of-Market Search Interest."

[Read the full report](#)

---

## National and local price growth slows in Q1

In December, end of year forecasts from national experts predicted that tight inventory and mortgage rates would be the market forces to watch, with home prices continuing to trend upward.

Instead, a wealth of new listings in Q1 combined with consumer spending caution have created a cushion of inventory and slowed price growth more quickly than expected. Homeowners will retain value and are continuing to gain equity, while affordability also improves slowly for buyers.

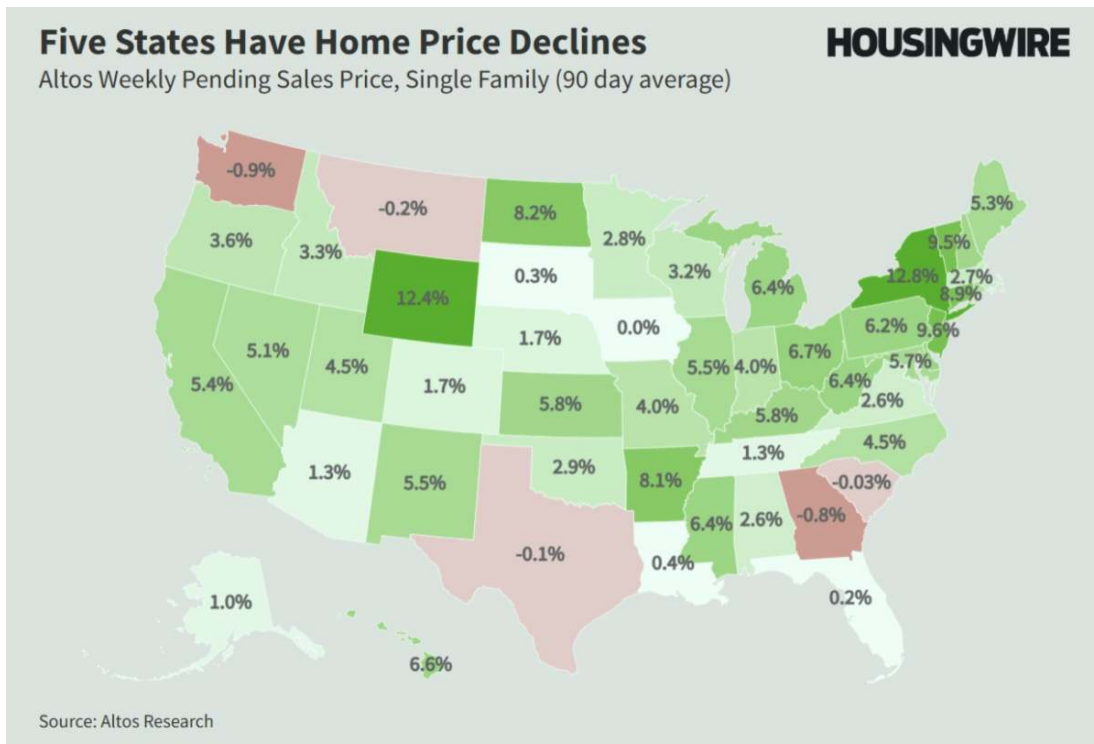
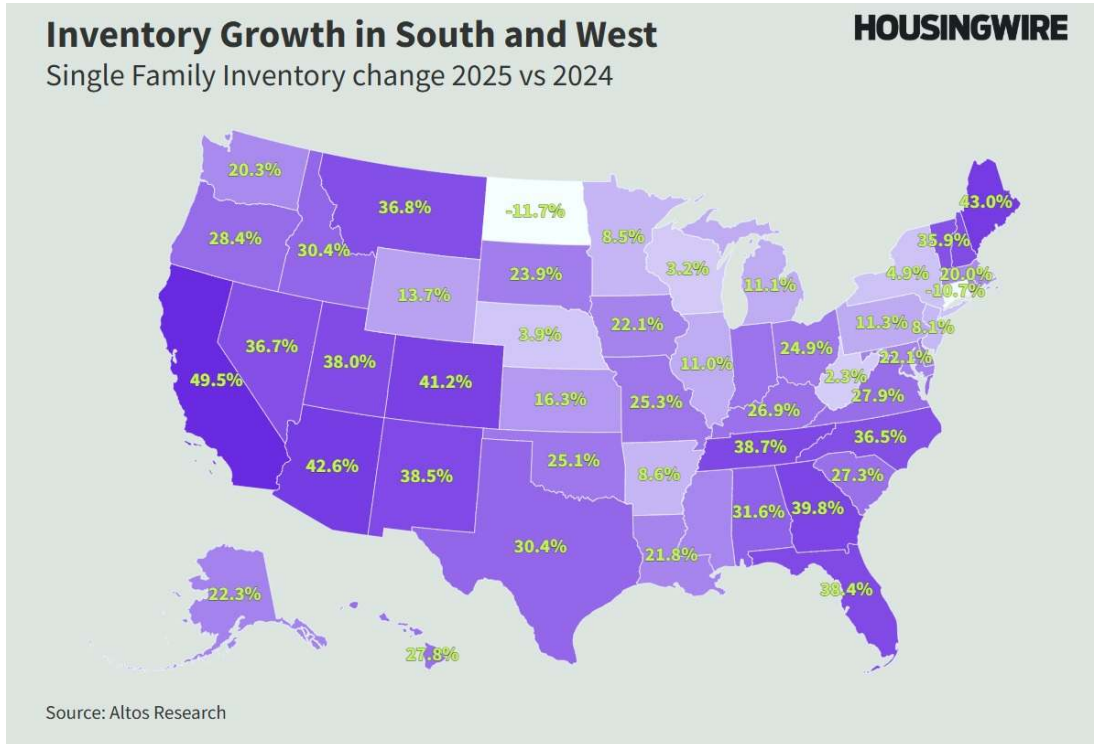
Inventory jumped significantly at the end of last year and beginning of 2025. NAR [reported here](#) that in February alone inventory rose nationally by 5.1% - the equivalent of 3.5 months of supply.

NAR Chief Economist Lawrence Yun attributed this partially to life changes necessitating moves and a release of pent-up demand heading into the spring. We also saw this trend in East Tennessee, with inventory up 35.1% year-over-year, maintaining pre-pandemic levels of active listings.

Housing Wire [reported](#) that the 90-day average pending sales price at the end of February declined in 5 states; only Wyoming and New York are still seeing double digit increases. The states with the highest increase in inventory are beginning to see a welcome cooling effect on price growth.

In East Tennessee, the year-over-year price increase was +8.4% in December, +3.4% in January and +1.8% in February. Some of this can be attributed to seasonality as home prices typically trend upward most steeply in the spring and fall, but it is a promising indicator for the remainder of the year.

*Note: The average pending sales measure will naturally show more fluctuation than the median sold price measure, but it does illustrate short term trends.*



## NAR updated forecast: Residential is rosy, commercial retail regains momentum with office lagging behind

NAR recently released its updated Q1 forecast, sharing updates on the residential and commercial markets.

Chief Economist Lawrence Yun noted that all signs are positive for a healthy year, but cautioned that policy changes may have unpredictable effects. National inflation has calmed, and Dr. Yun echoed predictions that the Fed may cut rates twice in the second half of the year. He also mentioned that some states are poised to see more recovery in the housing market than others; Tennessee in particular has had strong job growth and home price growth, leading to opportunity for more inventory movement over the next three quarters.

Senior Economist Nadia Evangelou gave a commercial market update. The overarching theme was the vast differences between markets. In some large markets with a bulk of corporate retail occupancy, rates have fluctuated wildly as workers went remote during the pandemic and are now being asked to return, albeit at lower quantities.

It's interesting to note that compared to the national commercial real estate status, East Tennessee fared much better. Our commercial occupancy is mostly made up of smaller businesses, which has kept the market protected from the ups and downs of remote work. Both office and retail vacancy are low.

[Download the NAR Q1 Updated Forecast Slides](#)

For more on commercial real estate: [A recent article](#) from Knox News does a deeper dive into the local market, with insights from ETNR and our commercial members.



"The strength of the economy going into 2025 is good news for commercial real estate. More jobs mean more retail shopping, online shopping with deliveries from warehouses, and leasing of apartment spaces. Property management and leasing business will be on the rise."

– Dr. Lawrence Yun, Chief Economist at NAR

## City of Knoxville Parks & Rec updates 10-year plan

The City of Knoxville Parks & Recreation department has kicked off the public phase of their next 10-year master plan for the city's parks, greenways, outdoor gathering spaces and recreational facilities, dubbed "Play Knoxville."

Public input can be given via a survey, and interactive map that allows comments, and a series of public meetings.

[Read more and give input](#)

## Mortgage rates hold steady, market anticipates further Fed rate cuts later in the year

Mortgage rates have remained below 7% for nine weeks, a boon for the housing market. National economists expect to see the overall trend of declines continue into the spring, with rates to possibly fall below 6.5%. The Fed held steady as expected in February, and the major banks are predicting up to two rate cuts in the second half of the year.

Speculation has continued about the possible privatization of Freddie Mac and Fannie Mae, but new Federal Housing Financing Agency (FHFA) director Bill Pulte stated that there are no current plans to lower the conforming loan limit or maximum loan value.

According to Freddie Mac's Primary Mortgage Market Survey, the 30-year fixed mortgage rate (30Y FRM) averaged 6.76% for the week ending February 27, 2025, compared to an average of 6.87% this time last year.



### Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 03/20/2025



## IN THE NEWS

*Stay up-to-date with the most recent information about East Tennessee's housing market. Here's the latest from local media:*

WATE: [Knoxville sees modest increase in housing diversity](#)

WATE: [Meet the 24-year-old developer building 50+ units in Knoxville](#)

Knox News: [With downtown offices full again, Knoxville has done more than just 'recover' from COVID-19](#)

## WHAT WE'RE READING

[Declining mortgage rates fuel home buyer demand](#)

REALTOR® Magazine | March 05, 2025

[Migration trends: The continued draw of mountain states](#)

Placer.ai | March 2025

[Understanding the impact of the national flood insurance program](#)

National Association of REALTORS® | March 11, 2025

[U.S. sawmill production capacity constant in 2024](#)

NAHB Eye on Housing | March 19, 2025



**Market Pulse** is a monthly research newsletter providing a rundown of the latest housing and economic research and analysis across East Tennessee.

Was this email forwarded to you? Subscribe [here](#).

East Tennessee REALTORS® | 609 Weisgarber Road | Knoxville, TN 37919 US

[Unsubscribe](#) | [Update Profile](#) | [Constant Contact Data Notice](#)