

Housing in Tennessee

6 Insights about Housing Trends and Policy Trade-Offs

October 2026

Key Takeaways

- Housing is a key driver of individual and family well-being, and an important component of thriving communities.
 - Rising demand—especially from population growth and in-migration—has reshaped Tennessee’s housing market.
 - Over the past decade, Tennessee’s housing supply did not keep up with demand.
 - Housing affordability challenges are widespread—particularly affecting suburban and rural communities in Tennessee—though conditions have eased slightly in some areas of the state.
 - Federal, state, and local policy decisions shape housing supply, cost, and access. Recent policy changes aim to improve housing supply and streamline development, but their effects remain to be seen.
 - Expanding housing access involves trade-offs between cost, community preferences, and infrastructure.
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The decisions made by Tennessee's next governor and General Assembly will shape the state's future for years to come. Throughout the remainder of 2026, the Sycamore Institute will release a [series](#) of concise, evidence-based insights drawn from our past research to provide context on the policies, trends, and challenges that could define Tennessee's next chapter. Each brief offers an accessible overview of an important issue and, in some cases, links to deeper analysis for those who want to explore it further.

This brief focuses on housing in Tennessee—providing an overview of the state’s housing landscape and key insights from Sycamore’s prior research in this area.

1. Housing is a key driver of individual and family well-being, and an important component of thriving communities.

Housing plays a central role in the well-being of Tennesseans and the strength of communities. As a basic necessity, a home provides shelter and stability, while its cost, quality, and location shape financial security, health, education, transportation, and access to jobs and services (**Figure 1**). These connections make housing a key driver of opportunity and outcomes for individuals, families, and communities across Tennessee.

Figure 1. Housing Options Affect the Well-Being of Individuals, Families, and Communities

Examples of Housing Characteristics

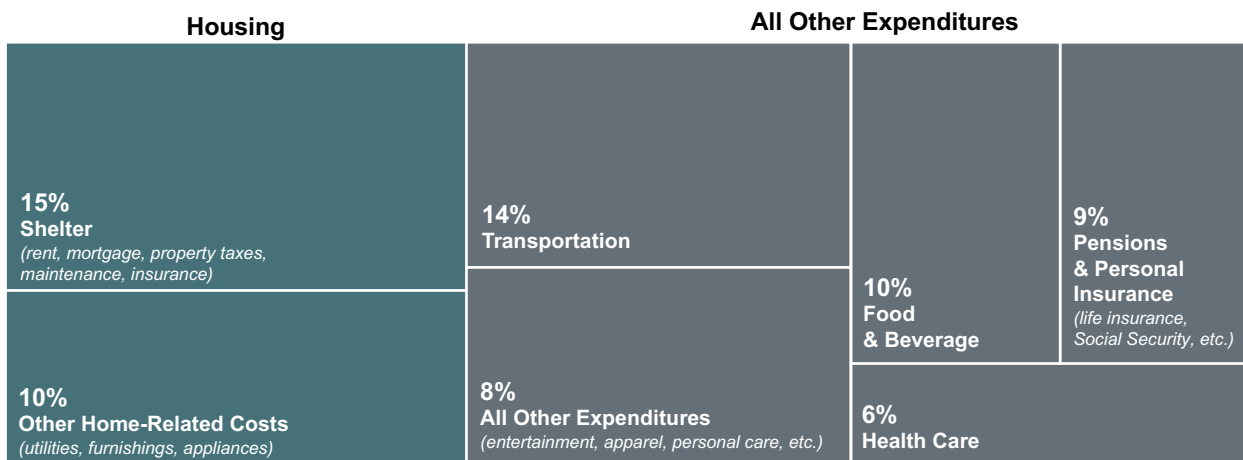


Source: The Sycamore Institute

Housing is often a household's largest expense, making it an important factor in financial security (**Figure 2**). In 2024, housing costs—including rent, mortgage payments, property taxes, insurance, and utilities—accounted for about one-quarter of average household spending in the South, as a share of pretax income. (1) Higher housing costs often leave households with less to spend on other necessities, such as food, transportation, and health care, or to save for the future.

Figure 2. Housing Was the Single Largest Expense for the Average Southern Household in 2024

Average Household Expenditures in the South as a Percent of Pre-Tax Income (2024)



BLS' "South" region includes AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, and WV.
 Source: U.S. Bureau of Labor Statistics, 2024 Consumer Expenditure Surveys (1)

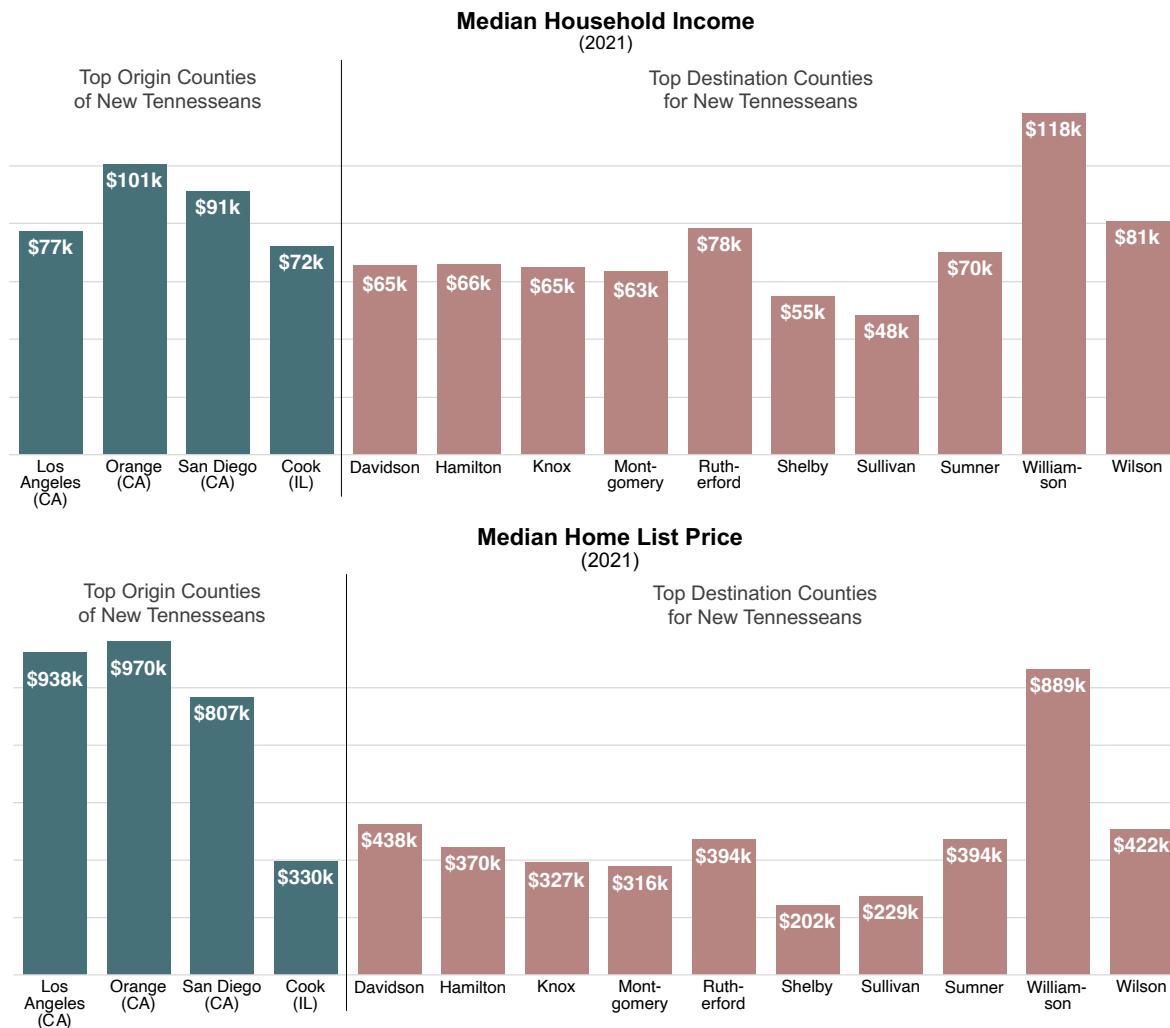
See related discussion in [Why Housing Matters for Tennessee](#).

2. Rising demand—especially from population growth and in-migration—reshaped Tennessee’s housing market.

Tennessee’s housing market has changed significantly in recent years, largely due population growth and rising demand. Population growth—driven in part by an influx of new residents from other states—has increased competition for housing across much of the state, particularly since 2020. Many of these new residents moved from higher-cost, higher-income areas, bringing additional purchasing power that intensified demand pressures in local housing markets (**Figure 3**). (2) (3)

At the same time, migration patterns within Tennessee shifted demand across regions. Some households moved from urban centers into suburban and rural communities, spreading housing pressures beyond traditionally high-cost areas (**Figure 4**). (4) Together, these trends reshaped where demand is strongest and contributed to rising housing costs across a broader set of communities.

Figure 3. During the Pandemic, Many New Tennessee Residents Arrived from Higher Income, Higher Cost Markets



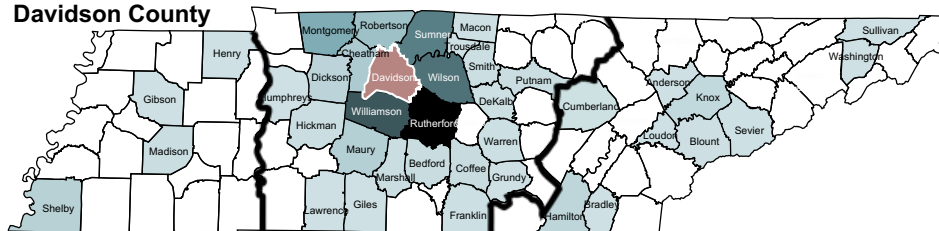
Top origin and destination counties were identified using Internal Revenue Service Statistics of Income Migration data (2021-2022)

Source: American Community Survey 1-Year Estimates (2021) (Table DP04), Federal Reserve Bank of St. Louis Median Listing Prices (2) (3)

Figure 4. Tennessee's Three Most Populous Counties Saw Population Loss to Surrounding Counties Between 2021 and 2022

Gross Migration from Davidson, Shelby, and Knox Counties to Other Tennessee Counties (2021-2022)

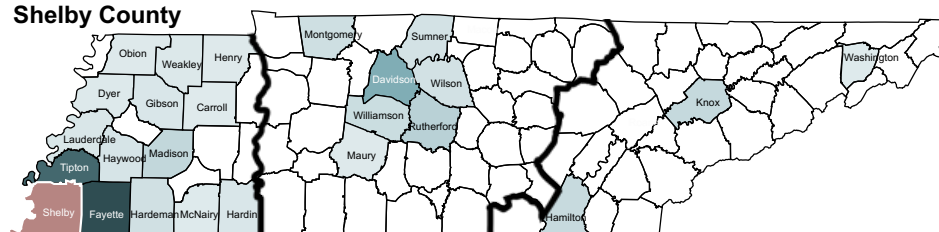
from
Davidson County



Top Destination Counties

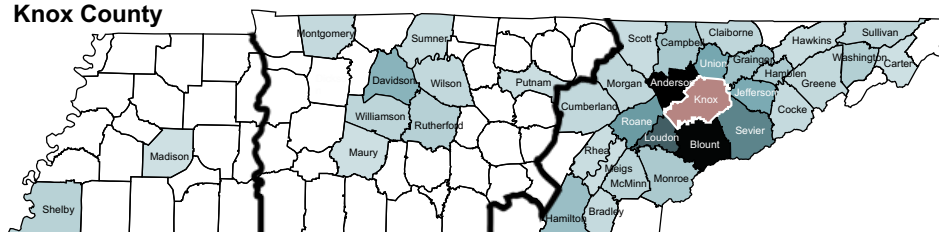
1. Rutherford	6,491
2. Williamson	4,438
3. Wilson	3,794
4. Sumner	3,482
5. Montgomery	2,221

from
Shelby County



1. Fayette	1,873
2. Tipton	1,589
3. Davidson	837
4. Rutherford	361
5. Madison	286

from
Knox County



1. Anderson	1,913
2. Blount	1,877
3. Loudon	1,154
4. Sevier	852
5. Roane	671

Note: Includes only data for tax filers.

Source: Internal Revenue Service Statistics of Income Migration data (2021-2022) (4)

See related discussion in [*Tennessee's Housing Challenges: Where and Why It Got So Expensive*](#).

3. Over the past decade, Tennessee's housing supply did not keep up with demand.

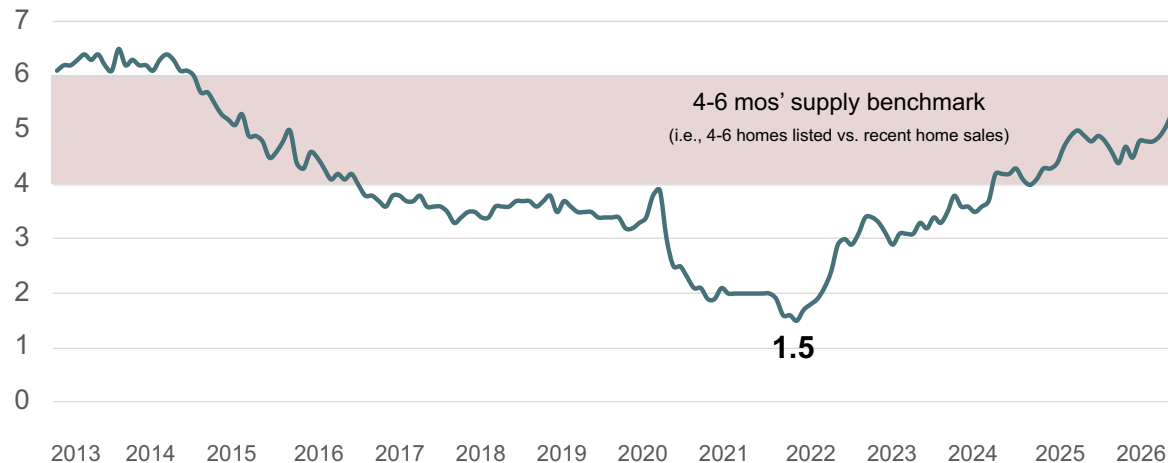
Tennessee's housing market reflects an imbalance between supply and demand. Homebuilding slowed significantly during the Great Recession and, despite a recovery in the 2010s, never fully caught up with population growth and rising demand. When additional pressures emerged during the pandemic—including in-migration—this gap widened further, contributing to tight housing supply and rising prices. (5)

Housing availability measures highlight the constraints on supply. "Months' supply" compares the number of houses listed for sale with the number of recent home sales. As this number becomes smaller,

it indicates more demand, less supply, or both—which tends to result in higher prices. Generally, four to six months' supply is the optimal spot for housing markets to appreciate at a consistent rate. (6) (7) During the pandemic, the number of homes available for sale relative to the number of recent sales fell to historically low levels at 1.5 months' supply in January 2022. However, this has improved in recent years—indicating that housing supply is catching up with the pace of sales (**Figure 5**). (8)

Figure 5. Tennessee's Active Home Listings Hit a 10-Year Low Throughout 2021 and Early 2022

Avg. Months' Supply of Housing Inventory in Tennessee by Month (2013-2026)



Note: 2026 reflects data through August 31, 2026.

Source: Redfin Housing Market Tracker (2013-2026) (8)

See related discussion in [*Tennessee's Housing Challenges: Where and Why It Got So Expensive*](#).

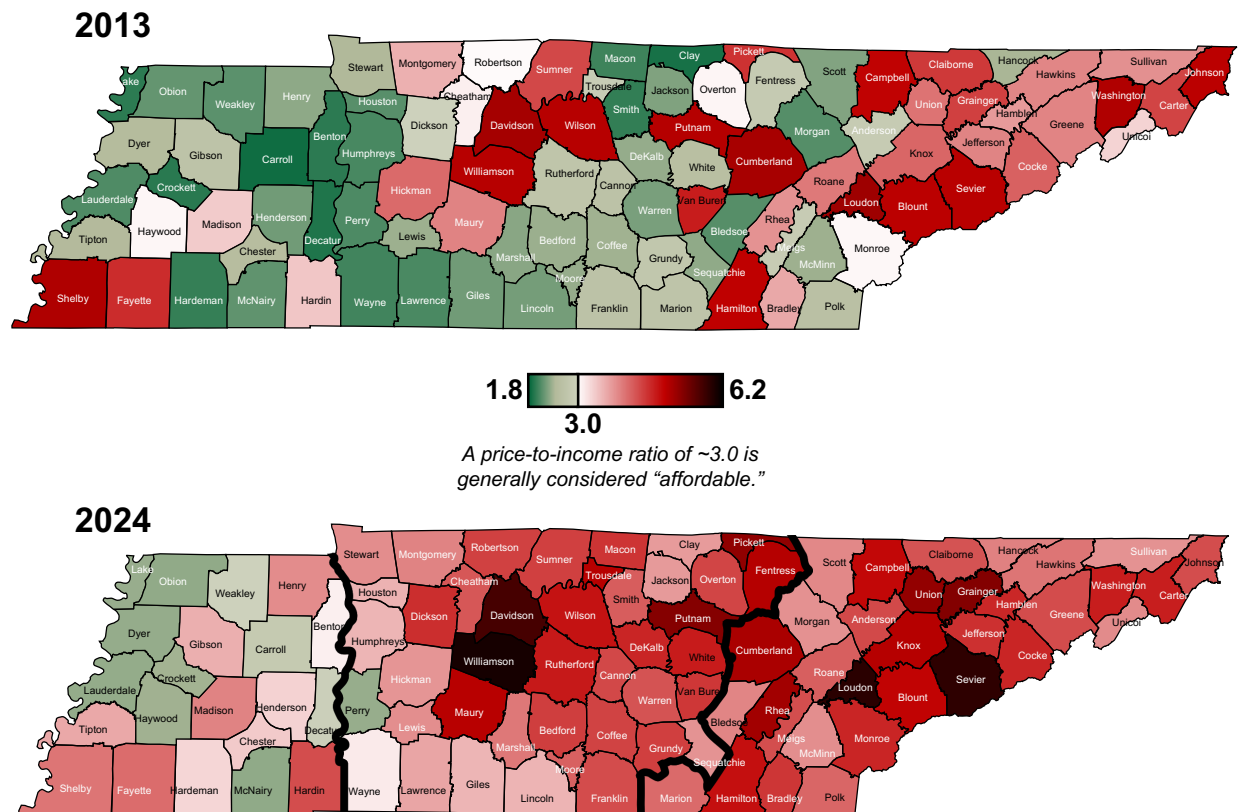
4. Housing affordability challenges are widespread—particularly affecting suburban and rural communities in Tennessee.

Housing costs in Tennessee rose faster than incomes in many areas during the 2020s, reducing affordability for a growing number of households. As demand outpaced supply, both home prices and rents increased, making it more difficult for renters and prospective homebuyers—especially those with lower or moderate incomes—to find options within their budgets.

In the immediate years prior to and after the pandemic, these challenges spread to suburban and rural communities that haven't typically faced them (Figure 6). (9) (10) In some cases, smaller and rural areas saw faster growth in the gap between income and housing costs, suggesting that affordability pressures have become more widespread across Tennessee.

Figure 6. Over The Last Decade, Higher Housing Prices Increasingly Seeped Into Tennessee's Rural Areas

Home Sales Price to Income Ratio by County (2013-2024)



Source: The Sycamore Institute's analysis of data from the Tennessee Housing Development Agency and the U.S. Census Bureau's Small Area Income and Poverty Estimates. (9) (10)

Available evidence suggests that housing costs may be moderating in some parts of Tennessee, although trends vary across markets. Some metropolitan areas, including Memphis and Kingsport-Bristol, experienced slight declines in median home prices in early 2026. (11) However, the statewide median home sales price reached a record high of \$360,000 in 2025, with prices increasing in most counties. (12) These trends suggest that some local markets may be easing, but housing affordability remains a challenge across much of Tennessee.

See related discussion in [Tennessee's Housing Challenges: Where and Why It Got So Expensive](#).

5. Federal, state, and local policy decisions shape housing supply, cost, and access.

Federal, state, and local policymakers can influence housing access, affordability, and supply through a range of policy levers (Table 1). These include housing subsidies and financing programs, as well as policies that govern land use, development, and construction. Together, these policies affect the resources available to households and the cost, type, location, and pace of housing development.

Some policy levers directly affect how and where housing can be developed. For example, zoning designations, minimum lot sizes, density requirements, building codes, and permitting processes can influence the feasibility, cost, and timing of new housing. Policies that limit density or require larger lots can constrain the number of homes that can be built, while streamlined approvals or greater flexibility can make development easier. Infrastructure requirements—such as extending roads, water, and sewer service—can also increase development costs, particularly in areas where existing systems lack capacity or new infrastructure is needed.

These policies also serve other community goals and can involve trade-offs. Zoning and development regulations, for example, can help communities manage growth, ensure safety, and preserve neighborhood character. Policymakers must therefore balance these priorities with the need for housing that is available and affordable to Tennessee households.

Recent policy changes illustrate how these levers continue to evolve. At the federal level, the 21st Century ROADS to Housing Act—signed into law in July 2026—includes measures intended to expand housing supply and modify federal housing programs. (13) In Tennessee, recent legislation has sought to streamline development approvals and permitting to reduce delays in housing development. For example, the state passed a law in 2026 to establish deadlines for local governments to review development applications, conduct inspections, and release financial guarantees for development projects. The state also expanded the authority of industrial development boards to support eligible affordable housing and public infrastructure projects. (14) (15) (16) (17) These policy changes reflect different approaches to addressing housing supply and affordability, but their effects will depend on implementation at the federal and state level.

See related discussion in [Access to Housing in Tennessee: The Federal, State, and Local Policy Levers](#), [Making Homes Make Cents: How Affordable Housing is Financed](#), and [Lines of a Map, Rules on the Ground](#).

6. Expanding housing access involves trade-offs between cost, community preferences, and infrastructure.

Efforts to expand housing access often require balancing competing priorities. Policies that increase housing supply—such as allowing higher-density development or streamlining approvals—can help reduce costs and improve availability. However, these approaches may also place additional demands on infrastructure, alter neighborhood characteristics, or generate community opposition.

Programs to improve housing affordability can also require additional resources. Programs such as subsidies or incentives for below-market housing can improve access for lower-income households but may require funding or changes to existing policies. As a result, housing decisions often involve trade-offs that reflect local values, resources, and priorities, requiring policymakers to weigh multiple outcomes when designing solutions.

Table 1. Federal, State, and Local Policy Levers to Improve Housing Affordability in Tennessee

Existing or Potential Policy Levers	Authority			Goal						
	Federal	State	Local	Simplify home-building	Support affordable home devt	Increase housing devt capacity	Diversify housing supply	Increase household resources	Improve buyer financing	Reduce barriers to entry
Zoning Ordinances & Requirements e.g., Local zoning dictates the minimum lot size required to build a home, affecting how many homes can be built in an area.		x	x	x	x	x	x			
Building Codes Requirements e.g., State/local building codes call for things like staircases that can impact the amount of habitable space in a development.		x	x	x	x	x	x			
Permitting Requirements & Processes e.g., Local permitting processes can affect the time to begin a project. The state can incentivize or require specific local practices.		x	x	x	x	x	x			
Tax Subsidies e.g., Tax credits and deductions can reduce the costs of construction, mortgages, and home improvements/modifications.	x	x	x	x	x	x	x	x	x	
Grants, Vouchers, & Other Direct Funding e.g., Direct financial assistance can reduce the costs of building, buying, renting, maintaining, modifying, or living in a home.	x	x	x	x	x	x	x	x	x	x
Housing Development & Management e.g., Governments have, at times, been heavily involved in directly building and managing public housing.	x	x	x		x					x
Subsidized or Insured Loans e.g., Federal agencies back mortgages for populations (e.g., veterans) who may not otherwise qualify.	x	x			x				x	
Land Banks & Trusts e.g., Land banks can acquire blighted or underutilized properties for housing development.		x	x		x	x				
Public Lands e.g., State and local governments can offer priority bidding for excess public properties to affordable housing developers.		x	x		x	x				
Support & Wraparound Services e.g., State programs provide support services to aging adults to help them afford to live in their homes in the community.	x	x	x					x		
Anti-Discrimination Laws & Enforcement e.g., The state enforces laws that bar discrimination based on race, color, religion, national origin, sex, disability, and family status.	x	x							x	x

Additional Sycamore Resources

- [Why Housing Matters for Tennessee](#)
- [Tennessee's Housing Challenges: Where and Why It Got So Expensive](#)
- [Access to Housing in Tennessee: The Federal, State, and Local Policy Levers](#)
- [Making Homes Make Cents: How Affordable Housing is Financed](#)
- [Lines of a Map, Rules on the Ground](#)
- [Event Summary: Housing Policy Summit](#)
- [Webinar Recording: Understanding Rural Housing in Tennessee](#)

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