

2026 Tennessee Housing Market at a Glance

Overview

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Regional variation in current and projected housing demand indicates the need for targeted policies and actions.

While the state continues to attract new residents and expand its workforce, a housing supply that matches the population's needs has not kept pace. We estimate that Tennessee will need approximately 315,000 new homes by 2035 to meet projected demand, accommodate population growth, normal levels of vacancy, and the replacement of aging housing stock. Current housing underproduction is localized to the state's fast-growing regions, with Knoxville and Clarksville leading in estimated overall shortfalls. Some indicators of progress in the Nashville area are encouraging, where underproduction estimates declined from 11,000 units in 2023 to no underproduction in 2024. Nonetheless, the area's production will need to continue and grow to meet the more than 160,000 housing units needed by 2035.

Slower growing, aging metro areas like Memphis, Cleveland, Dyersburg, and Lawrenceburg have minimal or no housing shortages. However, aging and substandard housing in these areas requires new production, rehabilitation, and infrastructure updates. In the Memphis and Cleveland metro areas, for example, more than 40% of vacant housing stock is of substandard quality, vastly inflating the figures of available housing in these areas.

In addition, the types of units needed across regions vary. Tennessee's mix of unit sizes indicates that nearly two-thirds of renter households live in studios, or one- and two-bedroom units. While high-growth metro areas in Nashville and Clarksville require more family-sized rental units to alleviate overcrowding, rural areas could benefit from smaller units as household sizes continue to shrink. Mismatches in regional composition of households and unit sizes contribute to varying pressures across the state.



Homeownership as a vehicle for wealth generation, stability, and community development is limited by a lack of affordable inventory.

Housing costs in Tennessee significantly outpaced income growth in the last decade, widening the affordability gap. From 2015 to 2024, the median household income increased by 52%. Over the same period, the median sales price increased by 200%, from \$175,000 to over \$350,000, and median gross rent increased by 64%. In 2024, home prices were almost five times higher than income and only 32% of homes in the state sold in 2024 were affordable to the median household. Just five years earlier, in 2019, 71% of homes sold were affordable to the median household.

As households continue to decline in size, building smaller homes that are affordable to moderate income households is critical. The combination of rising housing costs and the lack of affordable inventory have deepened unaffordability for younger households, in particular. Households who are unable to pursue homeownership due to a lack of affordable inventory are locked out of the wealth-building opportunities.



Rental shortages are particularly acute for extremely low-income (ELI) rental households.



For every 100 ELI households in Tennessee, there are only 37 affordable units available to them, such that they are not occupied by higher-income households. While rental costs have started to subside in major metros, severe affordability mismatches contribute to shortages of affordable units and rising cost burdens for ELI renters. The Memphis and Nashville areas face the most acute shortages, in which there are only 22 and 32 affordable and available rental units per 100 ELI households, respectively.

These pressures contribute to rising to a type of pervasive housing vulnerability known as doubled-up homelessness. Our estimates indicate that rates of doubled-up homelessness are persistently high in Western Tennessee, with 1.2% of the Memphis region Continuum of Care (CoC) population experiencing doubled-up homelessness. In addition, the number of people seeking emergency services through CoCs has increased steadily in most regions following the COVID-19 pandemic, with the highest rate of growth occurring in the Nashville CoC. Finally, measures of homelessness through the Point-in-Time Counts (PITCs) indicate that Tennessee's rates have increased by 14.1% between 2020 and 2024 PITCs, with the predominant contributor being a sharp increase in unsheltered homelessness.

Households who are vulnerable to homelessness require deep subsidies to afford stable housing. Strengthening Tennessee's supply of very low-cost rental housing through the construction of deeply subsidized rental housing as well as the preservation of existing subsidized housing is essential for preventing homelessness and supporting CoCs' efforts to ensure households experiencing homelessness quickly regain housing stability.

Stabilizing the housing market requires building and preserving units for the median homebuyer and extremely low-income renter households.

The lack of flexibility and adaptability in housing stock across metro areas will continue to limit these areas' capacities to absorb demand effectively. A universal set of housing policies is unlikely to alleviate the pressures Tennesseans face and will face over the next decade. The changing demographics and household compositions of the state indicate a need for a more flexible and diverse housing stock across the state. The Tennessee Housing Development Agency's 2026 Housing Market at a Glance Series offers comprehensive needs and housing market analysis for Tennessee and its specific regions. For a deeper exploration of these topics, please refer to each of the briefs as a part of this series.

1. Demographic Forces in Tennessee Reshaping Housing Demand

2. Regional Variation in Tennessee's Housing Supply

3. A Case for Preservation: Mapping Risk and Opportunity in Tennessee's Affordable Housing

4. Tennessee's Housing Demand, Underproduction, and Mismatch

5. Estimates of Homelessness and Vulnerability in Tennessee

