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Housing Affordability Trends in Chattanooga

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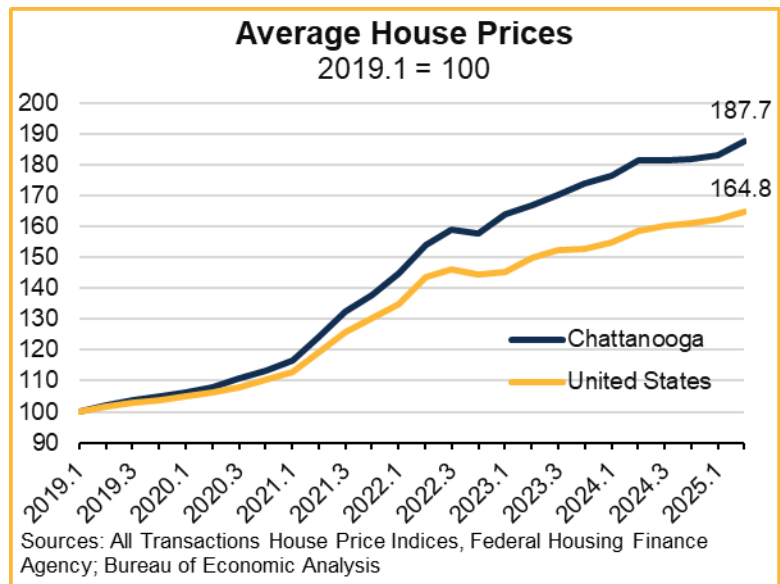
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Summary

This paper examines housing affordability in the Chattanooga metro area. It looks at a variety of measures of housing affordability that account for increases in the median price, rising household incomes, smaller housing units, and the sharp increase in mortgage rates. It concludes that house affordability remains a problem relative to the pre-pandemic period, but that faster-than-average income growth has significantly lessened the effect of higher prices. High mortgage rates remain the biggest obstacle for returning to pre-crisis levels of affordability.

Introduction

Chattanooga, along with most of the country, has been facing a housing crisis characterized by rising prices and elevated mortgage rates. Housing affordability, i.e., the ability of the average person to buy a house, always seems to be a problem, but it has become particularly acute since 2020, during and following the COVID pandemic. According to a house price index produced by the Federal Housing Finance Agency (FHFA), the average price of houses rose by almost 65 percent nationally between the start of 2019 and the middle of 2025 (see the figure to the right).ⁱ They rose by even more—88 percent—in the six-county Chattanooga Metropolitan Statistical Area (MSA).^{ii,iii} These increases greatly outpaced inflation, which itself hit levels not seen in more than 40 years: the Personal Consumption Expenditure Price Index (PCEPI) rose by about 23 percent, with the biggest increases occurring from mid-2021 into early 2022.^{iv}



This white paper looks at housing affordability trends in the Chattanooga MSA relative to the pre-pandemic period. Because house prices are not the only component of housing affordability to change over the period, the analysis also considers the effects of changes in median house size, median household income, and mortgage rates. The analysis uses data produced by Realtor.com, which can be found at the [CRER Data Hub](https://www.crer.org/data-hub) on the CRER website (utc.edu/crer). The advantage of the Realtor.com data is that it provides data for the median prices rather than average prices, which are distorted by prices at the very high end. Changes in housing affordability for the typical family are better captured at the median rather than the average.

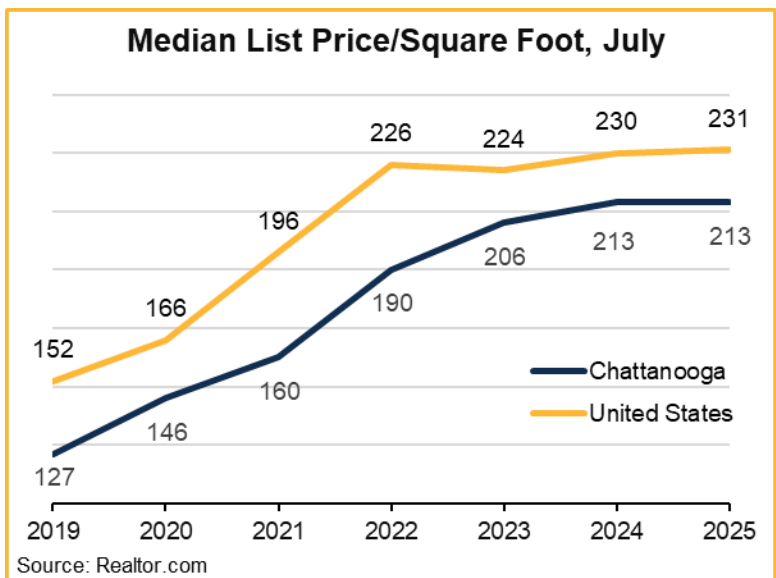
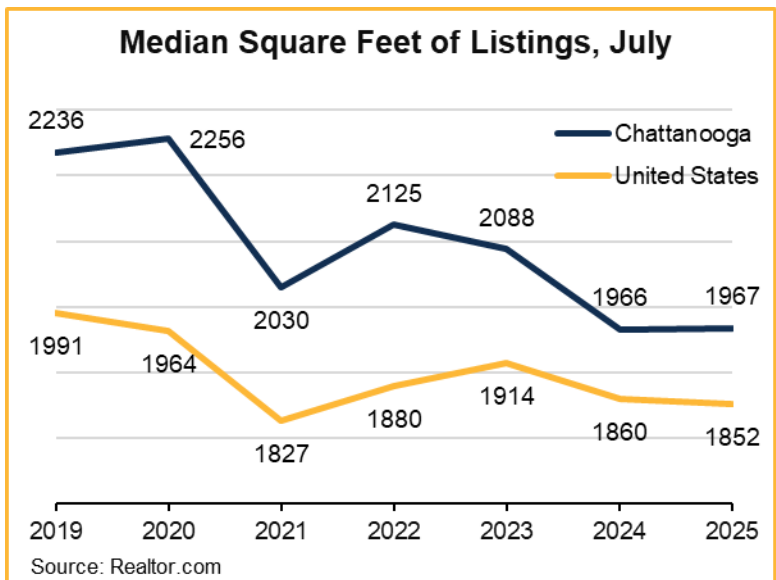
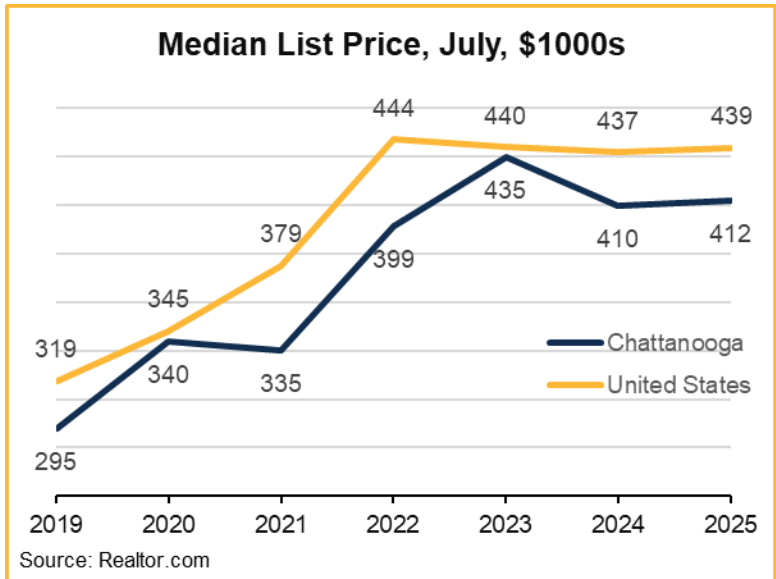
Median List Prices

The figure below shows the median list prices for housing in the Chattanooga MSA and the United States for 2019-2025. To remove seasonal fluctuations in the data, the chart shows the median prices for July of each year. Notice that median prices in Chattanooga were lower than in the rest of the United States

throughout the period. In July 2025, the median list price in the Chattanooga MSA was \$412,450, about \$117,000 (40 percent) higher than in 2019, and about \$27,000 lower than for the United States.^v The percentage increase in the median list price for the United States, about 38 percent, was just below that of the Chattanooga MSA.

The second figure on the right shows a trend that occurred alongside rising house prices: smaller homes being listed for sale. In Chattanooga, the median listing was 2,236 square feet in July 2019. By July 2025 it had fallen by 269 square feet to 1,967, a decrease of nearly 12 percent. Listing sizes fell nationally over the period, but not as much as they did in Chattanooga. Nationally, the median listing size fell by 139 square feet, or about 7 percent.

Despite the falling median listing size, houses for sale in Chattanooga remain larger than in the country as a whole, so the median price picture changes somewhat when size is accounted for. As shown in the third figure, Chattanooga housing was less expensive per square foot than in the rest of the United States throughout the period. In 2025, the median list price per square foot in Chattanooga was \$213, compared to \$231 in the rest of the country, an 8.5 percent difference. Note that the difference was close



to 20 percent in 2019, meaning that accounting for house sizes can give better understanding of trends and comparisons of prices. That is, the gap between Chattanooga's median list price and that of the country as a whole was fairly stable, but the gap in terms of square feet shrank a great deal.

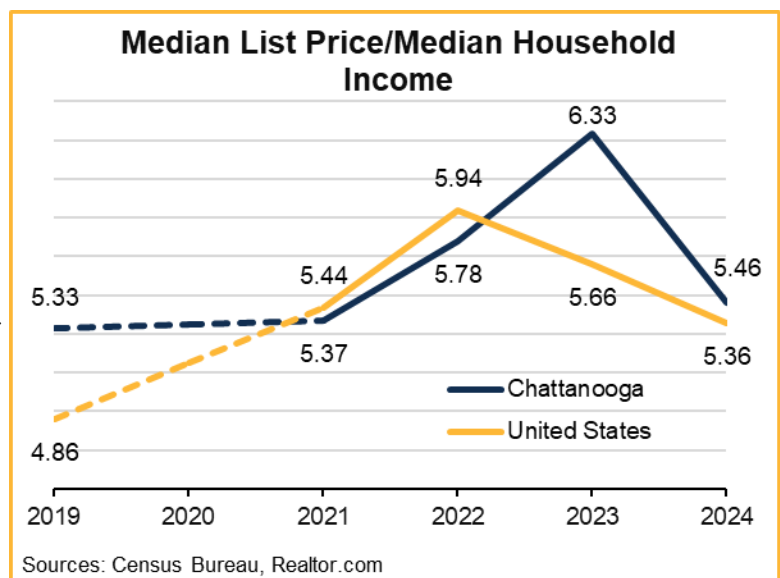
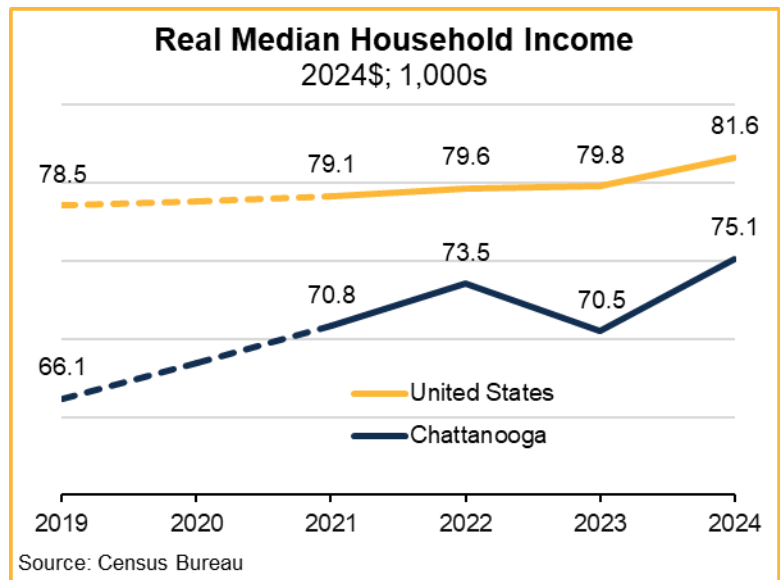
Affordability

Housing affordability is not determined by house prices alone. Over time and across areas of the country, incomes can differ a great deal, so affordability can differ even if house prices do not. In addition, because a significant majority of homebuyers finance their purchase, changes in mortgage rates are an important consideration in home affordability.^{vi}

House prices relative to income

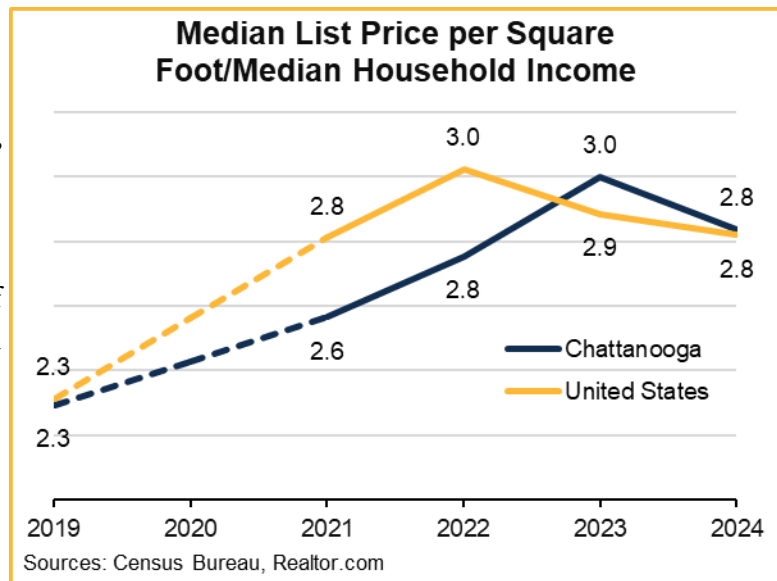
The top figure on the right shows how real median household income has changed over time.^{vii} Throughout the period, Chattanooga's median household income was lower than that of the United States, but it grew much more between 2019 and 2024. In 2019, real median household income in Chattanooga was about 84 percent that in the United States, but rose to 92 percent of it in 2024. Put another way, real median household income grew by 13.5 percent in Chattanooga but only 3.9 percent in the country as a whole. Given that median listing prices rose at about the same rate in the two areas, this large difference in income growth meant a big improvement in the affordability of housing in Chattanooga relative to the rest of the country.

The second figure to the right shows the areas' ratios of median list prices to median



household incomes. In 2019, despite having a lower median list price, housing was less affordable for the median family in Chattanooga than for the median family in the United States. More precisely, the median listing price was 5.33 times median household income in Chattanooga, but only 4.86 times it in the United States. Because of faster income growth in Chattanooga, this gap was narrowed considerably by 2024. In addition, by 2024 the ratio of median list price to median household income was almost back to its 2019 level in Chattanooga. In other words, by this indicator of housing affordability, the median household in Chattanooga was nearly as able to afford the median listing in 2024 as in 2019, which was not true for the United States overall.

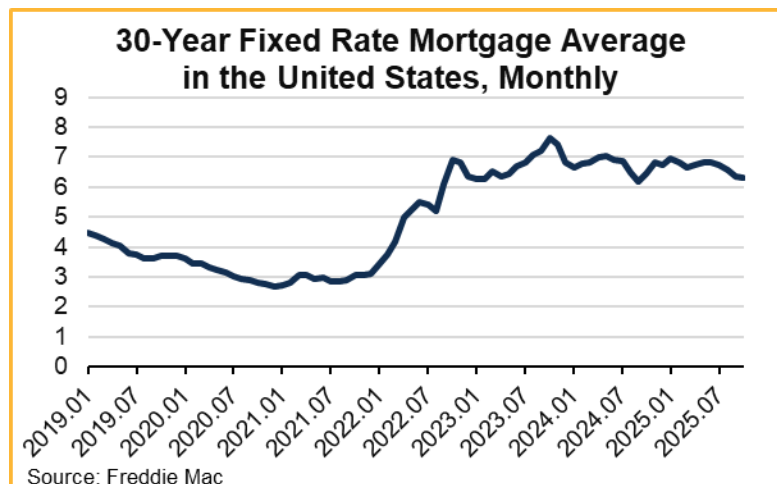
Although the median listing was almost as affordable as in the past, each square foot of housing was less affordable. It is not obvious, however, that this is even a bad thing given that family sizes, tastes, and the locations of the listings also change over time. In terms of affordability, house size might be a secondary consideration. All else equal, however, a larger house is usually preferred to a smaller one, so it is worth noting how house-size affordability has changed. Recall that the



decrease in median house size in Chattanooga was twice what it was in the rest of the country. Because of this, house-size affordability looks quite different from house affordability. Ignoring financing costs, a square foot of housing in 2024 remained less affordable to the median-wage earner than it was in 2019. In both years, house-size affordability was essentially the same in Chattanooga and the United States.

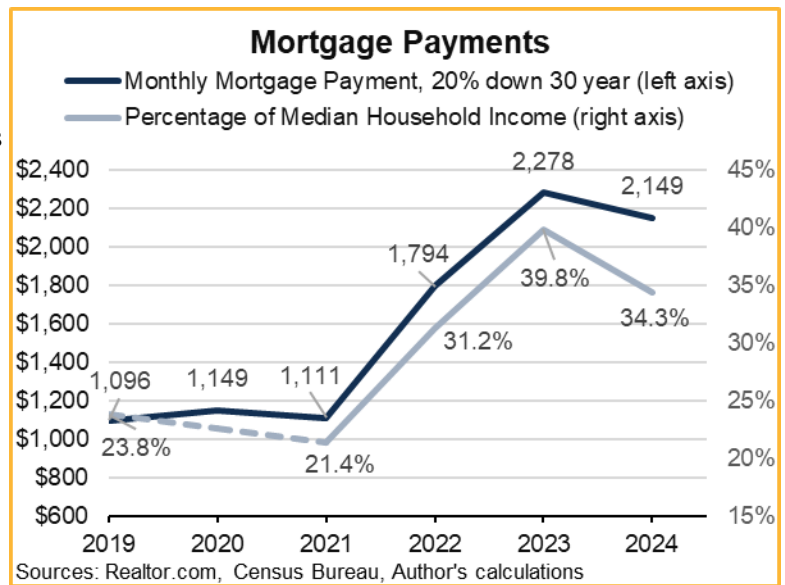
Mortgage costs

As described above, depending on whether one accounts for house size, the median listing was nearly as affordable to the median household in Chattanooga in 2024 as in 2019, but only if financing costs are ignored. As illustrated in the figure, mortgage rates rose dramatically over the



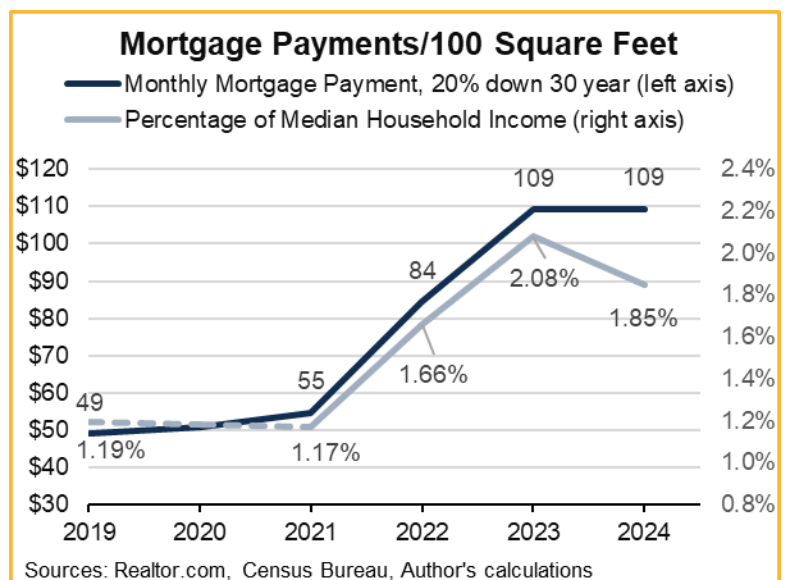
period and around three-quarters of buyers finance at least part of their purchase. The average interest rate on a 30-year mortgage, which fell below 3 percent during 2020 and 2021, rose to well above 6 percent by the end of 2022, and has remained there since.

The figure to the right illustrates the effect that this rapid rise in mortgage interest rates had in the Chattanooga MSA. The blue line is the monthly payment for a house purchased at the median list price and financed with a 20-percent down payment and the average interest rate on a 30-year mortgage. Between 2019 and 2021, this payment was fairly stable despite a nearly 14 percent increase in the median list price. From 2021 to 2023, however, this mortgage payment more than doubled as the median listing price and the average mortgage rate both shot up. It remained elevated despite small decreases in the median list price, but was about 96 percent higher in July 2024 than in July 2019.



As already noted, median household income rose significantly in the Chattanooga MSA over the period, nearly countering the effects of higher list prices. Higher mortgage rates eroded housing affordability a great deal, however, even accounting for rising household incomes: The gray line, which is the percentage of median household income that the mortgage payment represents, rose from 23.8 percent in 2019 to 34.3 percent in 2024. Put another way, the mortgage payment on the median listing for the median household was proportionally 44 percent higher in 2024 than in 2019.

Because of trends in house sizes, house-size affordability has been even more challenging than house-affordability. As shown in the figure to the right, the monthly mortgage payment per 100 square feet rose by 122 percent between 2019 and 2024. And the proportion of median household income spent on mortgage payments per 100 square



feet rose by 55 percent from 1.19 to 1.85. This is not a dramatically different picture from when house size is not considered, highlighting how mortgage rates rather than prices are the more important factor presently.

Summary

This paper presented trends in various measures of housing affordability for the Chattanooga MSA between 2019 and 2024. Like most of the country, Chattanooga has been experiencing a housing affordability crisis that is indicated by the significant increases in average house prices over the period. The analysis above presented housing affordability by looking at median rather than average prices, accounting for changes in the sizes of houses in the market, measuring house prices relative to household income, and including the impact of higher mortgage rates. The percentage changes in the various measures that households faced when they considered buying a home are provided in the table below.

Percentage Changes in House Affordability Measures Chattanooga MSA, July 2019 – July 2024		
	Per House	Per Square Foot
Median list price	39.0	67.7
Monthly mortgage payment	96.1	123.0
Median list price/median household income	2.5	23.7
Mortgage payment as share of median household income	44.6	54.8

If we look only at the raw price numbers without considering how income (and inflation) also rose over the period, the picture is pretty grim:

- The median list price of houses in the Chattanooga MSA increased by 39 percent over the period.
- Because the size of the median listing fell by 270 feet, the median list price per square foot rose by about 68 percent.
- Combined with higher prices, mortgage payments on a house bought at the median list price nearly doubled.

Nominal average household income in the Chattanooga MSA rose by 36 percent over the period, partly because of the inflation that occurred. A true picture of affordability would take account of the increase in income and inflation, and is somewhat less grim:

- Relative to median household income, the median list price rose by only 2.5 percent, meaning that the median listing was only a little less affordable to the median household in 2024 than in 2019 for buyers not financing their purchase.
- If buyers financed their purchases, houses were much less affordable in 2024 than in 2019. For the example used, mortgage payments as a share of median household income were about 45 percent higher over the period.

House affordability in Chattanooga remains a problem relative to the pre-pandemic period, but the main problem is not higher list prices. Faster-than-average income growth has greatly lessened the effect of average median list price growth, so elevated mortgage rates are the biggest obstacle to greater housing affordability. A combination of increased supply and rising incomes will help improve the affordability situation in Chattanooga by keeping large price increases at bay. But a return to previous affordability requires the inflation dragon to be slayed so that mortgage rates return to their pre-pandemic levels.

ENDNOTES

ⁱ The index measures trends in the prices of single-family houses using data on repeat sales and refinancing. Data for the Chattanooga MSA and its counties can be found at the [CRER Data Hub](https://www.utcrer.org/) on our web site ([utc.edu/crer](https://www.utcrer.org/)).

ⁱⁱ The Chattanooga MSA includes three counties in Tennessee (Hamilton, Marion, and Sequatchie) and three in Georgia (Catoosa, Dade, and Walker).

ⁱⁱⁱ It is worth noting that this house price index rose in all counties of the Chattanooga MSA through 2024, the most recent year for which data is available. Between 2020 and 2024, the index increased by 61 percent in Hamilton County, 69 percent in Marion County, 65 percent in Sequatchie County, 57 percent in Catoosa County, 62 percent in Dade County, and 64 percent in Walker County.

^{iv} The PCEPI, produced by the Bureau of Economic Analysis, is the price index favored by the Federal Reserve to measure inflation. For reference, the more widely known All Items Consumer Price Index (CPI) from the Bureau of Labor Statistics (BLS) rose by just less than 27 percent over the period.

^v Note that the data begins in July 2019 to calculate the changes since the pre-COVID period.

^{vi} According to the [National Association of Realtors](https://www.nar.realtor/), 74 percent of all buyers financed their purchase, and 91 percent of first-time buyers did.

^{vii} Median household income is provided by the Census Bureau from its American Community Survey (ACS). Because of the COVID pandemic, data from the ACS were not published for 2020. Thus, a dotted line is used to connect data for 2019 to data for 2021. The PCEPI is used to calculate real median household.