

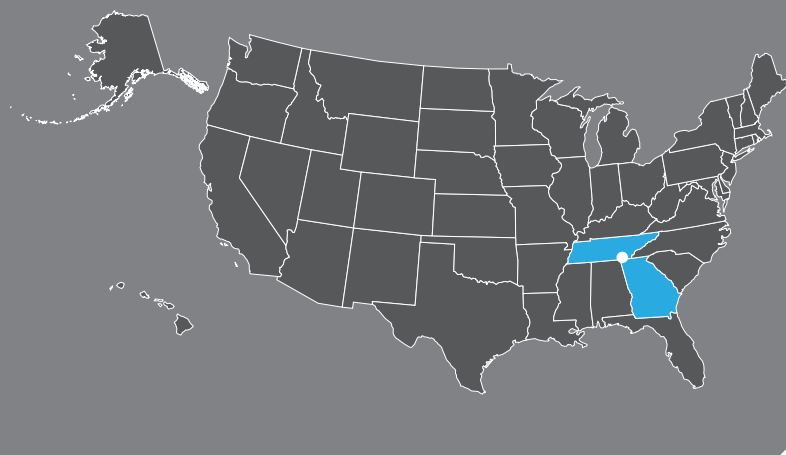
HUD PD&R Housing Market Profiles

Chattanooga, Tennessee-Georgia



Quick Facts About Chattanooga

- Current sales market conditions: slightly tight
- Current rental market conditions: balanced
- The Chattanooga metropolitan area is home to Ruby Falls, the deepest commercial cavern in the United States at more than 1,000 feet underground and one of the most visited tourist attractions in the metropolitan area.



Chattanooga, Tennessee

By Steve Walker | As of January 1, 2023

Overview

The Chattanooga, TN-GA Metropolitan Statistical Area (hereafter, Chattanooga metropolitan area) consists of Hamilton, Marion, and Sequatchie Counties in southern Tennessee and Catoosa, Dade, and Walker Counties in northern Georgia. Bisected by the Tennessee River, the city of Chattanooga is the largest municipality in the Chattanooga metropolitan area and the fourth most populous city in Tennessee, with approximately 183,200 people. The manufacturing sector is the largest sector in the metropolitan area and includes the Volkswagen Chattanooga Assembly Plant, with 4,675 employees. The metropolitan area is also a hub for healthcare services for southern Tennessee and northern Georgia. The education and health services sector includes the largest employer in the metropolitan area, BlueCross BlueShield of Tennessee, with approximately 4,775 employees, and the third largest employer, Erlanger Health System, with more than 4,350 employees.

- As of January 1, 2023, the population of the Chattanooga metropolitan area is estimated at 575,500, reflecting an average increase of 4,575, or 0.8 percent, annually since

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2019. During this period, net in-migration has accounted for an average of 4,750 people, or 100 percent of the growth, whereas net natural decline has accounted for an average of 175 people annually.

- Population growth averaged 3,725 people, or 0.7 percent, annually from 2015 to 2019 (Census Bureau population estimates as of July 1). During this period, net in-migration accounted for an average of 3,275 people annually, or

88 percent of the growth, whereas net natural change accounted for an average of 450 people annually, or 12 percent of the growth.

- The population in the metropolitan area is older than the population nationwide. In 2021, approximately 25.5 percent of all residents in the metropolitan area were age 60 years or older compared with 16.8 percent nationwide (American Community Survey [ACS] 1-year estimates).

Economic Conditions

The economy of the Chattanooga metropolitan area is strong after fully recovering in November 2021 from the recession of early 2020. Nonfarm payrolls averaged 278,400 jobs during the fourth quarter of 2022, up by 12,100 jobs, or 4.5 percent, from the same period a year ago. By comparison, job growth for the Southeast/Caribbean region and the nation averaged 3.5 and 3.4 percent, respectively. Year-over-year job growth in the metropolitan area was up during the fourth quarter of 2022 compared with the fourth quarter of 2021, when nonfarm payrolls increased by 6,100 jobs, or 2.3 percent. In comparison, year-over-year job growth was 1.3 percent during the fourth quarter of 2019, the most recent comparable quarter before the onset of the COVID-19 pandemic. During the same period, nonfarm payrolls increased 1.7 and 1.3 percent for the Southeast/Caribbean region and the nation, respectively.

During the fourth quarter of 2022—

- The manufacturing sector increased by 3,200 jobs, or 8.8 percent, annually; that increase was the largest

numerical gain for any sector. By comparison, the sector increased by 2,800 jobs during the previous year.

- The professional and business services sector had the second largest job gain, increasing by 1,700, or 5.8 percent, to 30,900 jobs as the sector continued to recover from the most recent economic downturn. Conversant Group, an IT and cybersecurity consulting firm, added 70 additional positions when it expanded in the third quarter of 2022, contributing to gains in this sector.
- The government sector was the only sector to lose jobs, decreasing by 200 jobs, or 0.5 percent, compared with a year ago. All job losses occurred in the state government subsector.
- The unemployment rate averaged 3.1 percent, up from 2.9 percent during the fourth quarter of 2021 but below the 4.6-percent rate during the same period in 2020. By comparison, the unemployment rate in the nation averaged

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During the fourth quarter of 2022, jobs increased in 10 out of 11 payroll sectors in the Chattanooga metropolitan area relative to a year ago.

	3 Months Ending		Year-Over-Year Change	
	December 2021 (Thousands)	December 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	266.3	278.4	12.1	4.5
Goods-Producing Sectors	48.4	52.6	4.2	8.7
Mining, Logging, & Construction	12.0	13.0	1.0	8.3
Manufacturing	36.4	39.6	3.2	8.8
Service-Providing Sectors	217.9	225.8	7.9	3.6
Wholesale & Retail Trade	36.9	38.0	1.1	3.0
Transportation & Utilities	16.3	16.9	0.6	3.7
Information	3.0	3.4	0.4	13.3
Financial Activities	20.2	21.1	0.9	4.5
Professional & Business Services	29.2	30.9	1.7	5.8
Education & Health Services	34.9	36.4	1.5	4.3
Leisure & Hospitality	27.4	29.0	1.6	5.8
Other Services	12.3	12.5	0.2	1.6
Government	37.8	37.6	-0.2	-0.5
Unemployment Rate	2.9%	3.1%		

Note: Numbers may not add to totals due to rounding.

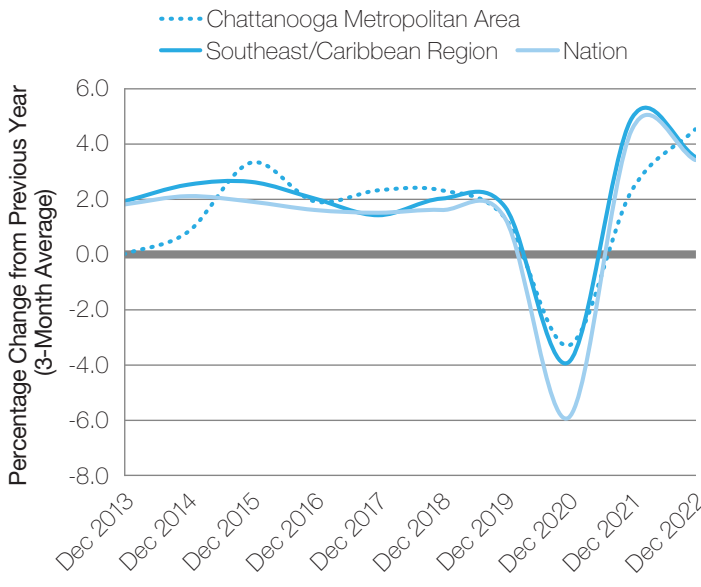
Source: U.S. Bureau of Labor Statistics



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3.3 percent during the fourth quarter of 2022, down from 3.9 percent during the same period a year earlier.

The rate of job growth in the Chattanooga metropolitan area was greater than the rates for the Southeast/Caribbean region and the nation during the fourth quarter of 2022.



Source: U.S. Bureau of Labor Statistics

In the fourth quarter of 2022, the largest manufacturer in the metropolitan area, Volkswagen Group of America, added a production line making the ID.4 electric vehicle and hired an additional 1,000 employees. Grupo Sesé Industrial Services, a manufacturer of axle components for electric vehicles, invested \$42 million into a new production facility for the new battery-powered Volkswagen vehicle line, creating 240 full-time positions. Manufacturers that are not automobile suppliers are also expanding. Big Valley Air, a manufacturer of high-performance parachutes, is constructing a new 17,000-square-foot facility in Sequatchie County and is expected to add 30 positions by the summer of 2023. Steward Advanced Materials LLC, a manufacturer of specialty alloys and ceramic material, is building a new 40,000-square-foot manufacturing facility and adding 24 positions in 2023.

Largest Employers in the Chattanooga Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
BlueCross BlueShield of Tennessee	Education & Health Services	4,775
Volkswagen Group of America	Manufacturing	4,675
Erlanger Health System	Education & Health Services	4,350

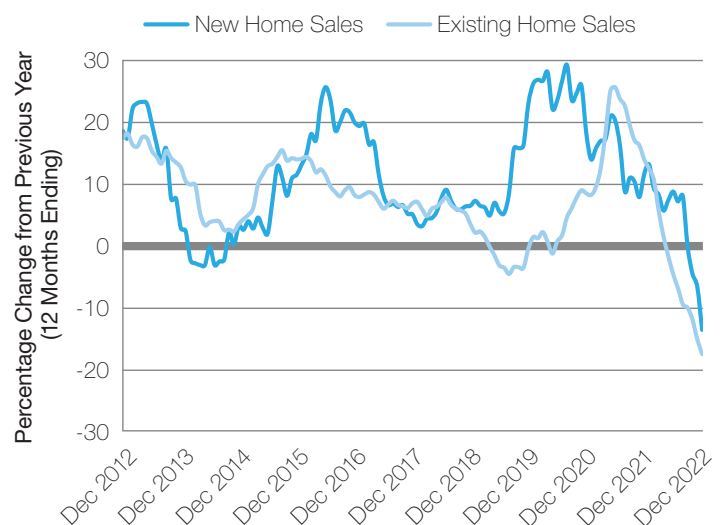
Note: Excludes local school districts.

Source: Chattanooga Chamber of Commerce

Sales Market Conditions

The sales housing market in the Chattanooga metropolitan area is slightly tight compared with tight conditions a year ago. The home sales market has an estimated vacancy rate of 1.9 percent, down from 2.9 percent in April 2010, when the market was soft. In 2022, home sales declined significantly because rising home prices and mortgage rates made homeownership more expensive. The average interest rate for a 30-year, fixed-rate mortgage was 6.4 percent in December 2022, up from 3.1 percent a year earlier (Freddie Mac). As the mortgage rate increased, so did the supply of homes for sale, which rose from 1.3 months in December 2021 to 1.6 months in December 2022 (CoreLogic, Inc.). As of December 2022, 1.2 percent of home loans in the metropolitan area were seriously delinquent or had transitioned into real estate owned (REO) status, down from 1.9 percent a year earlier and 3.7 percent in December 2020. The decline in the rate primarily reflects a decrease in the number of loans that were 90 days or more delinquent, which had temporarily increased in 2020 due to the recession. In December 2022, the share of seriously delinquent home loans and REO properties in the metropolitan area was equal to the national rate but higher than the 1.1-percent rate for the state.

During 2022, new and existing home sales in the Chattanooga metropolitan area decreased.



Note: Data include new and existing single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.

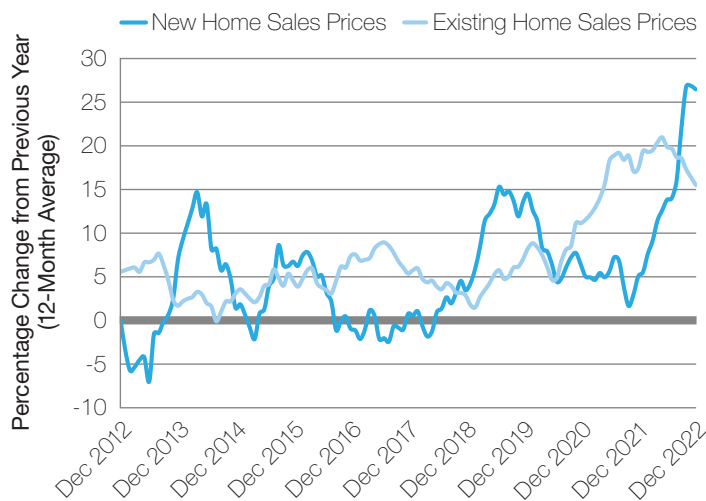
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During 2022—

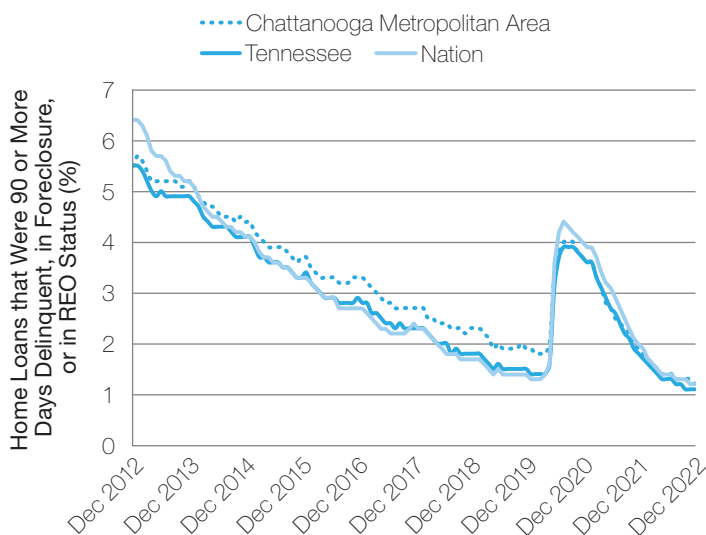
- Existing home sales in the metropolitan area totaled 13,150, representing an 18-percent decline from the 15,950 homes sold during 2021 (CoreLogic, Inc., with adjustments by the analyst). By comparison, in 2021, existing home sales increased 14 percent from a year earlier.

New home sales prices increased faster than existing home sales prices in the Chattanooga metropolitan area during 2022.



Note: Data include new and existing single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

The rate of seriously delinquent mortgages and REO properties in the Chattanooga metropolitan area has decreased significantly since a recent peak in October 2020.



REO = real estate owned.
Source: CoreLogic, Inc.

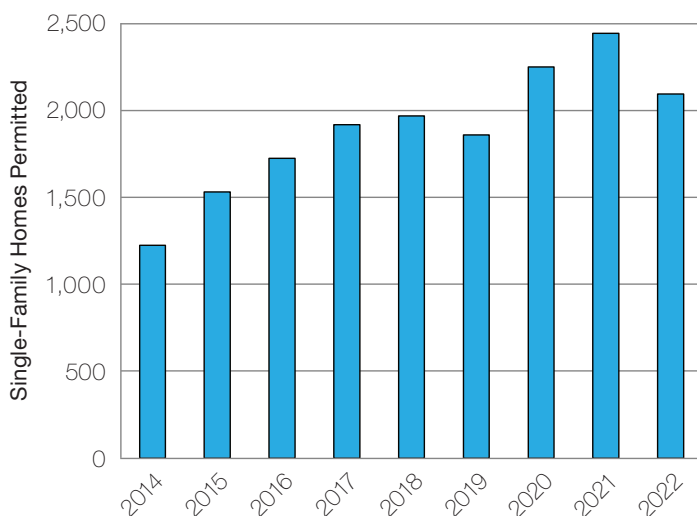
- The average sales price for existing homes reached \$283,600, reflecting a 16-percent increase compared with 2021, when the average sales price for existing homes rose 17 percent from a year earlier. By comparison, the sales price increased an average of 9 percent annually during 2019 and 2020.
- New home sales totaled 1,450 homes, representing a 14-percent decrease from the 1,675 new homes sold during 2021. By comparison, new home sales increased an average of 15 percent annually during 2020 and 2021.
- The average sales price for new homes was \$429,700, 27 percent higher than the average sales price during 2021. Previously, the average new home sales price increased at an average rate of 6 percent annually during 2020 and 2021.

Single-family homebuilding activity has generally trended upward since 2014 as the economy and housing market recovered from the Great Recession. Homebuilding slowed during the past year, however, in response to rising interest rates and declining home sales.

- The number of single-family homes permitted totaled 2,100 during 2022, reflecting a decrease of 350 homes, or 14 percent, from the previous 12 months (preliminary data, with estimates by the analyst).
- After 1,225 homes were permitted in 2014, the number of homes permitted in the metropolitan area increased during 6 of the next 7 years to reach a high of 2,450 homes in 2021.

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Single-family home construction in the Chattanooga metropolitan area has generally increased since 2014.



Sources: U.S. Census Bureau, Building Permits Survey; 2014–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

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- Wellesley II, a single-family-home community expected to have 50 homes ranging in size from 2,800 to 4,050 square feet, is under construction in the city of Ooltewah, with prices ranging from \$420,900 to \$541,900.

Rental Market Conditions

Rental market conditions in the Chattanooga metropolitan area are balanced compared with soft conditions in 2010. The estimated vacancy rate for all rental units—including single-family homes, mobile homes, and apartments—is 7.9 percent as of January 1, 2023, down from 10.0 percent in April 2010. Single-family homes are the most common type of rental units in the metropolitan area, accounting for 40 percent of all occupied rental units in 2021, down from 41 percent in 2010 (ACS 1-year data). Structures with five or more units, typically apartments, accounted for 33 percent of all occupied rental units during 2021, down from 34 percent in 2010. Structures with two to four units accounted for 20 percent of all occupied rental units in 2021, up from 18 percent in 2010.

- In December 2022, the average vacancy rate for professionally managed three-bedroom single-family homes was 2.7 percent in the Chattanooga metropolitan area, down from 3.6 percent a year earlier, and the average rent for professionally managed, three-bedroom single-family homes was \$1,665, up 10 percent from a year ago (CoreLogic, Inc.).
- The apartment market in the metropolitan area was slightly soft, with an 8.8-percent vacancy rate during the fourth quarter of 2022, up from 6.4 percent a year earlier (CoStar Group).
- The average apartment rent in the metropolitan area was \$1,561 during the fourth quarter of 2022, up by \$23, or

slightly less than 2 percent, from the same period a year earlier. By comparison, the average apartment rent from the fourth quarter of 2020 through the fourth quarter of 2021 increased by \$210, or 16 percent.

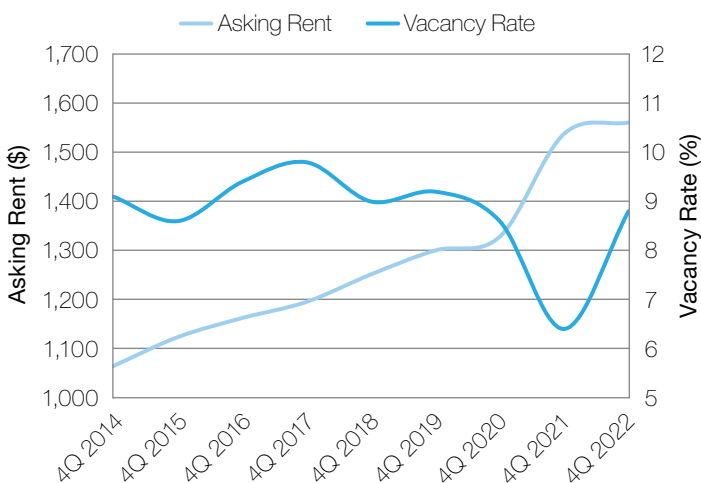
- During the fourth quarter of 2022, apartment vacancy rates in the eight largest CoStar Group-defined market areas in the metropolitan area ranged from 5.5 percent in the East Ridge market area, bordered by the Georgia state line to the south, to 14.0 percent in the Hixson market area northeast of downtown Chattanooga, where Northgate Mall is located, and approximately 200 new units were completed. During the same period, average apartment rents ranged from \$953 in the East Ridge market area to \$1,448 in the Downtown market area.

Multifamily construction in the Chattanooga metropolitan area, as measured by the number of multifamily units permitted, has been at higher levels since 2019 compared with the previous 4 years.

- During 2022, approximately 960 multifamily units were permitted, reflecting a 28-percent decrease from the 1,230 units permitted during 2021 (preliminary data, with adjustments by the analyst).
- After averaging approximately 570 units permitted from 2015 through 2018, multifamily permitting rose to an average

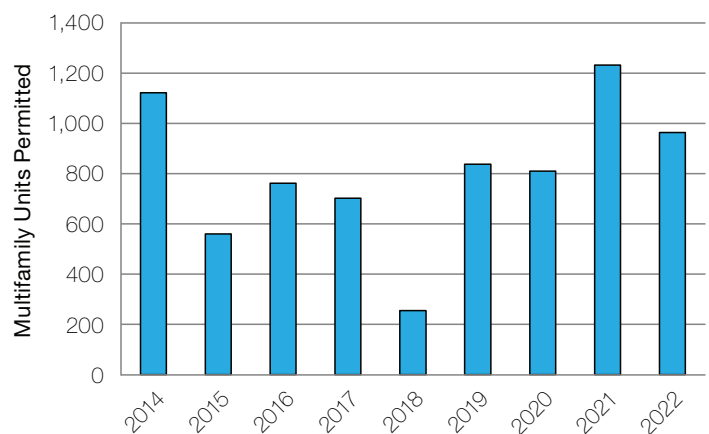
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Rent growth in the Chattanooga metropolitan area slowed during the fourth quarter of 2022.



4Q = fourth quarter. YoY = year-over-year.
Source: CoStar Group

The number of multifamily units permitted in the Chattanooga metropolitan area decreased during 2022 compared with a year earlier.



Sources: U.S. Census Bureau, Building Permits Survey; 2014–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst



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of 820 units annually from 2019 through 2020. Multifamily construction was concentrated in the city of Chattanooga and along the I-75 corridor in the suburbs north of downtown Chattanooga.

- The Ridgeview at Northgate apartment development contains 204 units and was completed in the first quarter of 2022. Located in the Hixson market area near Northgate Mall, the

property is currently leasing and features one-, two-, and three-bedroom units with rents ranging from \$1,295 to \$3,800.

- The 310-unit Borough 33 Apartments, currently leasing units in downtown Chattanooga, was completed during the fourth quarter of 2022 and offers studio, one-bedroom, two-bedroom, and three-bedroom units that rent from \$1,240 to \$2,920.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Net Natural Decline	Resident deaths are greater than resident births.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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