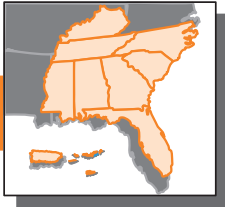


Housing Market Profile



Southeast/Caribbean • HUD Region IV

Chattanooga, Tennessee-Georgia

The Chattanooga metropolitan area consists of Hamilton, Marion, and Sequatchie Counties in southeast Tennessee and Catoosa, Dade, and Walker Counties in northwest Georgia, with a population estimated at 534,600 as of July 1, 2011. The annual rate of growth since April 2010 is estimated at about 1 percent, relatively unchanged from the growth rate from 2006 through 2009. Net in-migration, driven by job growth in the area, accounts for nearly 63 percent of the growth since 2006. BlueCross BlueShield of Tennessee, Inc., is the largest employer in the area, with about 4,500 employees, followed by the Tennessee Valley Authority, with about 4,000 employees, and Erlanger Health System, with about 3,500 employees.

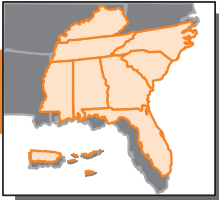
During the 12 months ending June 2011, the average number of nonfarm payroll jobs increased by 3,800, or 1.7 percent, to 230,700 jobs, compared with the average number of nonfarm payroll jobs during the 12 months ending June 2010. The largest increases in nonfarm payroll jobs occurred in the transportation and utilities sector, with a gain of 1,400 jobs, or 9.3 percent, and the leisure and hospitality sector, which grew by 800 jobs, or 3.7 percent. During the 12 months ending June 2011, average nonfarm payrolls in the mining, logging, and construction sector and the manufacturing sector increased by 200 jobs each, or 2.4 and 0.8 percent, respectively, compared with the average number of nonfarm payroll jobs during the previous 12 months. In 2008, Volkswagen Group of America, Inc., announced plans to build a nearly \$1 billion vehicle production facility in Chattanooga, adding about 2,000 jobs. Construction on the facility is nearly complete, and production is expected to begin in mid-2011. A supplier park near the Volkswagen plant opened in June 2010 and is expected to increase nonfarm payrolls in the manufacturing sector by 1,100 jobs during the next year. In December 2010, Amazon.com Inc. announced plans to build two order-processing centers in Tennessee, adding about 1,400 jobs to Hamilton County, which is in the metropolitan area, and in neighboring Bradley County by late 2011. SIAG Aerisyn LLC announced it would expand wind turbine tower production at its Chattanooga facility, adding about 175 jobs by 2012. As a result of robust job growth in the area, the average unemployment rate during the 12 months ending May 2011 decreased to 8.5 percent compared with 9.4 percent during the previous 12 months.

The sales housing market in the Chattanooga metropolitan area is soft, because the local economy is still recovering from the recession. As of July 1, 2011, the estimated sales vacancy rate was 2.8 percent compared with the 2.9-percent rate recorded by the 2010 Census. According to LPS Applied Analytics, 6.7 percent of all loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in May 2011 compared with 7.6 percent of all loans in May 2010. According to the Greater Chattanooga Association of REALTORS®, reporting aggregated data for new and existing homes, townhomes, and condominiums, approximately 5,275 homes sold during the 12 months ending June 2011, about 17 percent fewer than sold during the previous 12 months. The Greater Chattanooga Association of REALTORS® estimates that distressed home sales, including foreclosures and short sales, declined to about 25 percent of total sales in the area during the past 12 months compared with about 33 percent of total sales during the previous 12 months. As a result, the average home sales price in the area increased 4 percent to \$158,100 during the 12 months ending June 2011 compared with prices during the previous 12 months.

Homebuilding activity, as measured by the number of building permits issued, decreased in the metropolitan area because of the soft sales market. Based on preliminary data, during the 12 months ending June 2011, about 775 permits were issued for single-family homes, 18 percent fewer than were issued during the previous 12-month period. Based on annual building permit data, from 2007 through 2009, an average of about 1,475 homes were permitted each year. New developments include Hamilton on Hunter, in the Ooltewah area, with three-bedroom, two-bathroom homes starting from \$196,750, and Stonewall Farms, in the Hixson area, with five-bedroom, two-and-a-half-bathroom homes starting at \$265,000.

Overall rental housing market conditions in the metropolitan area are soft, but are improving because of job growth. The overall rental vacancy rate as of July 1, 2011, is estimated to be 9.3 percent, a decrease from the 10-percent rate recorded by the 2010 Census. Apartments comprise about two-thirds of the rental market in the metropolitan area. According to the most recent Real Data survey, the apartment vacancy rate during January 2011 was 6.5 percent compared with 7.7 percent during January 2010. The average apartment rent in the area was \$702 in January 2011, up nearly 7 percent from the average in January 2010. Average rents in the area for one-, two-, and three-bedroom apartment units are \$594, \$747, and \$900, respectively.





Chattanooga, Tennessee-Georgia
Southeast/Caribbean • HUD Region IV

U.S. Housing Market Conditions
2nd Quarter 2011

Based on preliminary data, about 75 multifamily units were permitted during the 12 months ending June 2011 compared with approximately 60 units permitted during the previous 12 months. Based on annual data, multifamily permitting peaked at nearly 575 units in 2007 and averaged about 180 units in 2008 and 2009. New

apartment development includes the 282-unit City Green at NorthShore, currently under construction in northwest Chattanooga; rents for one-, two-, and three-bedroom apartment units start at \$745, \$975, and \$1,300, respectively; construction is expected to be complete in late 2011.