Analysis of the

CHATTANOOGA, TENNESSEE HOUSING MARKET

as of March 1, 1966

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

September 1966

ANALYSIS OF THE

CHATTANOOGA, TENNESSEE, HOUSING MARKET

AS OF MARCH 1, 1966

FIELD MARKET ANALYSIS SERVICE
FEDERAL HOUSING ADMINISTRATION
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Foreword

As a public service to assist local housing activities through clearer understanding of local housing market conditions, FHA initiated publication of its comprehensive housing market analyses early in 1965. While each report is designed specifically for FHA use in administering its mortgage insurance operations, it is expected that the factual information and the findings and conclusions of these reports will be generally useful also to builders, mortgagees, and others concerned with local housing problems and to others having an interest in local economic conditions and trends.

Since market analysis is not an exact science the judgmental factor is important in the development of findings and conclusions. There will, of course, be differences of opinion in the interpretation of available factual information in determining the absorptive capacity of the market and the requirements for maintenance of a reasonable balance in demand-supply relationships.

The factual framework for each analysis is developed as thoroughly as possible on the basis of information available from both local and national sources. Unless specifically identified by source reference, all estimates and judgments in the analysis are those of the authoring analyst.

Table of Contents

ANALYSIS OF THE CHATTANOOGA, TENNESSEE, HOUSING MARKET AS OF MARCH 1, 1966

Summary and Conclusions

1. Nonagricultural wage and salary employment in the Chattanooga Labor Market Area averaged 106,300 in 1965, indicating an increase of 12,600 jobs during the 1957-1965 period. Employment in manufacturing industries, which currently equals nearly 42 percent of wage and salary employment, has shown a net decline of 200 since the 1957 average of 44,500. Non-manufacturing employment has increased by 12,800 over the 1957-1965 period, with most of the growth occurring in construction, trade, services, and government. During the March 1, 1966 to March 1, 1968 forecast period, a nonagricultural wage and salary employment increase of about 5,000 is expected.

   During 1965, unemployment averaged about 3.5 percent of the total work force of the labor market area, the lowest rate experienced during the 1957-1965 period. This rate reflects a substantial decline from the high rates registered in 1958 (7.9 percent), 1961 (7.7 period), and 1962 (7.9 percent).

2. The current median annual income of all families in the Chattanooga Housing Market Area (HMA), after deducting Federal income tax, is approximately $5,800; the median after-tax income of all renter families is about $4,100 annually. By 1968, median after-tax income is expected to rise to $6,050 a year for all families and to $4,200 annually for renter families.

3. The current population of the Chattanooga HMA is approximately 267,800 persons, 29,900 higher than the April 1960 total. About 68 percent of the current population resides in the city of Chattanooga, which has a population of about 183,400 as of March 1966. The total population of the HMA is expected to reach 278,500 by March 1968, a gain that would represent an increase of 5,350 persons annually above the 1966 level.

4. At the present time, households in the HMA number about 79,400, an increase of about 9,575 since April 1960, including 54,000 (68 percent) in the city of Chattanooga. By March 1968, households are expected to total 82,700, representing an average addition of about 1,650 annually during the two-year forecast period.

5. At present, there are about 82,900 housing units in the Chattanooga HMA, representing a net addition to the housing stock of about 8,525 units, 1,450 annually, since April 1960. This net gain resulted from the addition of about 10,950 new housing units (including public housing) and the loss of some 2,425 units through demolition and other inventory changes. Of the 10,650 private dwelling units authorized since January 1960, about 76 percent were in single-family structures, 14 percent were in duplexes, and 10 percent were in structures of three units or more. Currently about 500 housing units are under construction in the HMA, including 300 single-family units and 200 two-family and multifamily units. Most of the new residential construction is located in the city of Chattanooga and the areas adjoining the city to the north and east.

6. There are currently about 2,000 vacant housing units available for sale or rent in the Chattanooga HMA. Of the total, 500 are available for sale only, representing a homeowner vacancy ratio of 1.0 percent, and 1,500 are vacant available rental units, representing a renter vacancy ratio of 4.6 percent. These present vacancy levels indicate balance in both the sales and rental markets.

7. Demand for additional housing during the March 1, 1966 to March 1, 1968 period is expected to total 1,675 annually, including 1,350 units for sale and 325 units for rent. An additional 175 rental units could be marketed annually at the lower rents possible only with public benefits or assistance, but excluding public low-rent housing and rent-supplement accommodations.

   Annual demand for new sales housing by price class, is expected to approximate the pattern indicated on page 18. Annual demand for rental units by gross monthly rent and unit size is expected to approximate the patterns shown on page 19.

ANALYSIS OF THE CHATTANOOGA, TENNESSEE, HOUSING MARKET AS OF MARCH 1, 1966

Housing Market Area

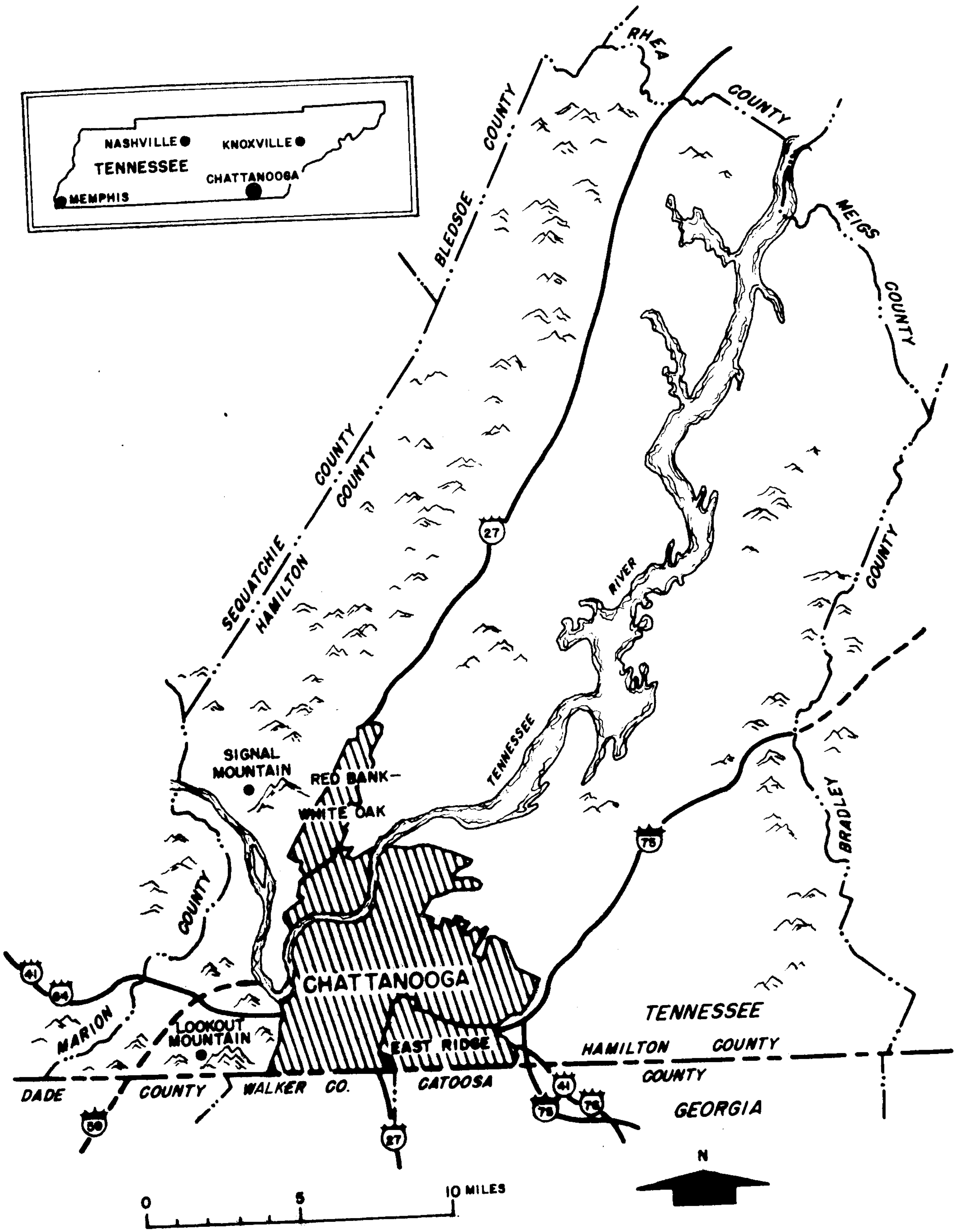
The Chattanooga, Tennessee, Housing Market Area (HMA) is defined as Hamilton County, an area of over 575 square miles, which had a population of 237,700 in April 1960 (see map). The Bureau of the Budget defines the Chattanooga Standard Metropolitan Statistical Area as Hamilton County, Tennessee and Walker County, Georgia. Walker County is rural in character, however, and its inclusion in the Chattanooga HMA would not be appropriate for purposes of housing market analysis. Chattanooga is the county seat and only major city in Hamilton County. Adjoining Chattanooga to the northwest and southeast, respectively, are the city of Red Bank-White Oak and the town of East Ridge. Because of their proximity to Chattanooga and their environmental similarities, these communities will be included in all further references to Chattanooga, unless otherwise stated. In addition, there are two other incorporated towns in the HMA: Signal Mountain, with an April 1960 population of nearly 3,425; and Lookout Mountain, with a total population of about 1,825 in April 1960.

The Chattanooga HMA is located in southeast Tennessee, on the Alabama-Georgia border, and is approximately 115 miles southwest of Knoxville, 120 miles northwest of Atlanta, and 150 miles northeast of Birmingham. Transportation facilities in the area are adequate. Four airlines, four major railways, and nine intercity bus lines offer passenger and freight service to all parts of the country. In addition, Chattanooga is served by an excellent network of Federal and State roads, including Interstate Routes 75 and 59, under construction, as well as several U.S. highways.

Topographical features have affected the development of Chattanooga significantly. Until recently, growth of the city had occurred primarily east of Lookout and Signal Mountains, south of the Tennessee River, and west of Missionary Ridge. In the past few years, however, these topographical features have ceased to be barriers and much of the new residential development is located north of the Tennessee River, and east of Missionary Ridge.

Inasmuch as the rural farm population of the Chattanooga HMA constituted only 1.3 percent of the total population in 1960, all demographic and housing data used in this analysis refer to the total of farm and nonfarm data.

CHATTANOOGA, TENNESSEE, HOUSING MARKET AREA



Economy of the Area

Character and History

Chattanooga was part of the territory of the Cherokee Nation until the mid-1830's when Federal troops removed the Indians to Oklahoma. Shortly thereafter, several small industries began to develop on Chattanooga's river front. With an economy based on river and railroad transportation, Chattanooga was a prime target for the Union Army during the Civil War. The four decisive battles fought there brought Chattanooga to the attention of both northern and southern businessmen, and new industries were introduced, particularly iron products and textile manufacturing. Further diversification of the economy has occurred as a result of demands brought on by the two world wars and the Korean Conflict; tourism was attracted by the area's many scenic and historic attractions. As a consequence, although the area has undergone several severe depressions, the present economy is well diversified and has a potential for future growth.

Employment

Current Estimate and Past Trend. Nonagricultural wage and salary employment in the Chattanooga Labor Market Area averaged 106,300 in 1965, including about 44,300 manufacturing workers (41.7 percent of the total) and 62,000 employed in nonmanufacturing industries.

As defined by the Tennessee Department of Employment Security, the Chattanooga Labor Market Area includes both Hamilton County, Tennessee and Walker County, Georgia, and employment data are available only for the combined total. However, because Walker County accounts for only about 14 percent of the total, much of which is concentrated in textile manufacturing, the two-county total employment data present a valid picture of employment trends in Hamilton County.

During the 1957-1965 period, nonagricultural wage and salary employment in the Chattanooga Labor Market Area increased by 12,600. Most of the growth has occurred since 1963, however (see table I). Chattanooga, which is just now recovering from an economic decline which began in the mid-1950's, experienced no net growth in wage and salary employment during the 1957-1962 period. Employment declines occurring in this period reflect the two national recessions, as well as the closing of several large manufacturing firms. The employment situation has improved considerably since 1962. A few new companies have moved to the area, several plants were reopened, and many firms are expanding their facilities.

As a result, average nonagricultural wage and salary employment has increased from 93,200 in 1962 to 106,300 in 1965, an over-all gain of 13,100. As seen in the following table, the rate of annual growth has been increasing since 1962.

Trend of Nonagricultural Wage and Salary Employment
Chattanooga, Tennessee, HMA,[a] 1957-1965
(Annual averages)

Year	Manu-facturing	Nonmanu-facturing	Total	Annual change Number	Annual change Percent
1957	44,500	49,200	93,700	-	-
1958	41,000	48,700	89,700	-4,000	-4.3
1959	41,900	50,500	92,400	2,700	3.0
1960	42,500	51,900	94,400	2,000	2.2
1961	40,500	53,500	94,000	-400	-0.4
1962	38,800	54,400	93,200	-800	-0.9
1963	39,700	55,700	95,400	2,200	2.4
1964	41,800	58,600	100,400	5,000	5.2
1965	44,300	62,000	106,300	5,900	5.9

a/ Includes Walker County, Georgia.

Source: Tennessee Department of Employment Security.

Employment by Industry. Since the mid-1950's, the distribution of employment by industry has been undergoing a change. Manufacturing employment equaled 47.5 percent of wage and salary employment (44,500 jobs) in 1957, compared with only 41.7 percent (44,300 jobs) in 1965. The greatest losses in manufacturing employment have occurred among durable goods industries, in which employment has declined from 20,900 to 19,600 over the 1957-1965 period (see table II). Much of this decrease can be attributed to plant closings, including the Summerville Iron Works, the Wheland Product division of Gordon Street, Inc., the Koehring Southern Company, and the Southern Ferro Alloys Company, all manufacturers of metal products. In addition, employment at various other companies was cut back in response to the two national recessions. Recently, however, there have been increases in durable goods employment resulting from the opening of several new firms, expansions by others, and some plant reopenings, including Gordon Street, Inc., Koehring Southern Company, and Combustion Engineering, Inc. Average employment in nondurable goods industries in 1965 was 1,100 above the 1957 total. All of this increase is credited to expansion within the chemical industry, particularly at the local plant of E. I. duPont de Nemours and Company.

Employment in nonmanufacturing industries has increased by 12,800 jobs since 1957, with most of the growth occurring after 1960 and concentrated in trade, services, and government. Employment in trade has increased by 2,500 over the 1957-1965 period, with the greatest increases occurring in 1959 and 1964 (800 each year). An additional 2,900 persons over the 1957 total of 9,900 are employed in services. Over 75 percent of this addition has taken place since 1961. Government employment has increased by 4,400. Much of this growth has resulted from expansion of the Tennessee Valley Authority (TVA) and the establishment of a Neighborhood Youth Corps in Chattanooga in 1965. Contract construction, in which there had been a loss in employment prior to 1964, has had an increase of 2,300 jobs in the last two years because of highway construction activity and plant expansions and renovations.

Trend of Employment Participation Rate. The ratio of employment to total population is termed the employment participation rate. Census data indicate that this ratio was 36.25 in 1960, a slight decline from the 1950 rate of 37.20. A decreasing participation rate reflects a rate of employment growth which is less than that of the population. This condition, which prevailed during the 1950-1960 decade, has been reversed, however, and currently the employment participation rate is rising.

Principal Employment Sources

Combustion Engineering, Inc. (metal products) and E.I. duPont de Nemours and Company (nylon yarn) are the largest employers in the HMA. Both companies are planning expansions and expect continued employment growth over the next two years.

The Tennessee Valley Authority, a corporate agency of the Federal government, is engaged in the development of the natural resources of the Tennessee River watershed. About 2,000 persons are employed by TVA in Chattanooga, the headquarters of the TVA power system. No large increases in employment are expected during the forecast period.

There are several additional large manufacturing firms in the area, including Gordon Street, Inc., the Mueller Company, and U.S. Pipe & Foundry Company, metal products manufacturers; the Dixie Mercerizing Company and Standard-Coosa-Thatcher Company, cotton mercerizing plants; and the American Lava Corporation, a manufacturer of ceramic products.

Unemployment

Prior to 1964, as shown in table I, the unemployment rate in the Chattanooga Labor Market Area was six percent or above, with the highest rates registered in 1958 (7.9 percent), 1961 (7.7 percent), and 1962 (7.9 percent). A substantial decline in unemployment occurred in 1964 when 5.7 percent of the civilian work force was unemployed, and in 1965 when only 3.5 percent was unemployed. Throughout the forecast period, a continued low level of unemployment is expected.

Future Employment

During the March 1, 1966 to March 1, 1968 forecast period, nonagricultural employment in Hamilton County is expected to increase by 5,000. About 75 percent of this growth will occur in manufacturing industries. The increase will result primarily from expansions at duPont and Combustion Engineering, and the opening of plants by the Lockheed-Georgia Company and the Atlas Chemical Company. Growth in nonmanufacturing employment is expected to be somewhat below that of the past few years. This is based on the expectation that increases in trade and service employment will be offset partially be declines in construction employment as the sizeable construction jobs (highway activity and the renovation of the Volunteer Ordnance Works, leased by Atlas Chemical) are completed. In addition, although some increase in government employment is anticipated, the recent growth resulting from TVA activity and the establishment of the Neighborhood Youth Corps, is not expected to be repeated in the next two years.

Income

Wages. As the following table indicates, the average weekly wage of manufacturing workers in the Chattanooga area has increased significantly over the 1960-1964 period, a reflection of the improved employment situation. A comparison of the average weekly wage in Chattanooga with the average in Knoxville and with the Tennessee average, shows that over the five-year period manufacturing wages are increasing most rapidly in the Chattanooga area.

Average Weekly Wage of Manufacturing Workers
Chattanooga, Knoxville, and Tennessee
1960-1964

Year	Chattanooga	Knoxville	Tennessee
1960	$74	$84	$73
1961	77	87	75
1962	82	89	78
1963	86	93	80
1964	89	94	83
December 1964	92	95	85
December 1965	98	98	88

Source: U.S. Department of Labor; Bureau of Labor Statistics.

Family Income. The current median annual income, after deduction of Federal income tax, is approximately $5,800 for all families, and $4,100 for renter families in the Chattanooga HMA. By March 1968, the all family and renter family annual income medians are expected to rise to $6,050 and $4,200, respectively. At present, about 31 percent of all families and 49 percent of renter families receive an after-tax income under $4,000 annually, while 16 percent of all families and four percent of the renter families have an annual after-tax income exceeding $10,000. Distributions of families by income classes and tenure are presented in table III.

Demographic Factors

Population

Current Estimate. As of March 1, 1966, the population of the Chattanooga HMA totals about 267,800, an average increase of about 5,050 a year since April 1, 1960. About 68 percent of the total, or 183,400 persons, currently reside within the city of Chattanooga. The present population of Chattanooga indicates an increase of some 23,000 persons since April 1, 1960. The following table presents the population changes in the area since 1950.

Trend of Population Growth
Chattanooga, Tennessee, HMA
April 1, 1950 to March 1, 1968

Date	Total population	Average annual change from preceding date
April 1, 1950	208,255	-
April 1, 1960	237,905	2,965
March 1, 1966	267,800	5,050
March 1, 1968	278,500	5,350

Sources: 1950 and 1960 Censuses of Population.
1966 and 1968 estimated by Housing Market Analyst.

Past Trend. During the April 1, 1950 to April 1, 1960 decade, the population of the Chattanooga HMA increased from nearly 208,300 to about 237,900, an average gain of about 2,975 annually. Chattanooga (including East Ridge and Red Bank-White Oak) grew by nearly 15,700, from about 144,700 in April 1950 to about 160,400 in April 1960. All of the growth responsible for this increase occurred in the East Ridge and Red Bank-White Oak areas.

Future Population. Based on the past trend of population growth and the employment gains expected to occur in the Chattanooga HMA during the next two years, it is estimated that total population will reach 278,500 by March 1, 1968, an average gain of some 5,350 persons a year. Most of the population growth will occur within Chattanooga and the areas adjoining the city to the north and east.

Natural Increase and Migration. During the April 1, 1950 to April 1, 1960 period, net natural increase (excess of resident births over resident deaths) accounted for all of the total population gain in the Chattanooga area. Net natural increase was 37,950 persons during the decade, whereas the population gain totaled only 29,650. The imputed net out-migration averaging 830 a year resulted from the unfavorable employment situation in the area during the decade. Improvement of that situation since 1960 has caused the migration patterns to change; between April 1960 and March 1966, 45 percent of the population gain resulted from net in-migration, and only 55 percent resulted from net natural increase. The following table presents the components of population change for the HMA.

Components of Population Change
Chattanooga, Tennessee, HMA
April 1, 1950 to March 1, 1966

Source of change	Average annual change: April 1950-April 1960	Average annual change: March 1960-March 1966
Net natural increase	3,795	2,800
Net migration	-830	2,250
Total population change	2,965	5,050

Sources: 1950 and 1960 Censuses of Population. Tennessee State Department of Health. Estimates by Housing Market Analyst.

Households

Current Estimate. Currently, there are approximately 79,400 households (occupied housing units) in the Chattanooga HMA, an average gain of about 1,625 a year since the April 1960 total of over 69,800. About 68 percent of these households are located within the city of Chattanooga. The following table presents the over-all trend of household changes since 1950.

Trend of Household Growth
Chattanooga, Tennessee, HMA
April 1, 1950 to March 1, 1968

Date	Total households	Average annual change from preceding date
April 1, 1950	58,620	-
April 1, 1960	69,825	1,121
March 1, 1966	79,400	1,625
March 1, 1968	82,700	1,650

Sources: 1950 and 1960 Censuses of Housing.
1966 and 1968 estimated by Housing Market Analyst.

Past Trend. During the April 1, 1950 to April 1, 1960 decade, the number of households in the Chattanooga HMA increased from about 58,600 to nearly 69,850, an average annual gain of about 1,125. The increase in households between 1950 and 1960 reflects, in part, the change in census definition from "dwelling unit" in the 1950 Census to "housing unit" in the 1960 Census. About 72 percent of all households in 1950 were in Chattanooga, as compared with 70 percent in 1960.

Household Size Trends. The average number of persons per household in the Chattanooga HMA has been decreasing since 1950. Average household size declined from 3.46 persons per household in April 1950 to an average size of 3.35 in April 1960. This downward trend has continued to the present, although at a slower rate, and currently the average household size in the area is 3.32. The decline during the 1966-1968 forecast period is expected to be at an even more moderate rate.

Future Households. Based on the anticipated growth in population and on household size trends evident in the area, there will be a total of 82,700 households in the Chattanooga HMA by March 1, 1968. This represents an average gain of 1,650 households annually during the two-year forecast period.

Housing Market Factors

Housing Supply

Current Estimate and Past Trend. At present, there are about 82,900 housing units in the Chattanooga HMA. This represents a net addition to the housing stock of about 8,525 units (11.5 percent), or about 1,450 annually since April 1, 1960. The net addition of 8,525 units resulted from construction of 10,950 new units and the loss of 2,425 units by demolition, fire, conversion, and other losses. During the 1950-1960 decade, the number of housing units increased from about 60,700 to nearly 74,400, a gain of some 13,700 (22.6 percent), or over 1,350 annually. Part of this increase may have resulted from a census definitional change from "dwelling unit" in the 1950 Census to "housing unit" in the 1960 Census.

Type of Structure. Currently, about 82.4 percent of the housing inventory of the Chattanooga HMA is in single-family units. This represents a slight reduction in the proportion of single-family structures in the housing inventory since April 1960 when the ratio was 83.6 percent. As indicated in the following table, the proportions of two-family structures and structures of five units or more have increased during the April 1960 to March 1966 period, whereas the proportion of three- and four-family structures has decreased.

Housing Inventory by Units in Structure
Chattanooga, Tennessee, HMA
April 1960 and March 1966

	April 1, 1960		March 1, 1966	
Units in structure	Number	Percent	Number	Percent
1 unit[a]	62,154	83.6	68,300	82.4
2 units	5,087	6.8	6,600	8.0
3 and 4 units	2,939	4.0	3,000	3.6
5 or more units	4,181	5.6	5,000	6.0
Total	74,361[b]	100.0	82,900	100.0

a/ Includes trailers.
b/ Differs slightly from the count of all units because units by type of structure were enumerated on a sample basis.

Sources: 1960 Census of Housing.
1966 estimated by Housing Market Analyst.

Age of Structure. The housing inventory in the Chattanooga area is relatively new, reflecting the recent growth of the area. As the following table indicates, over 40 percent of the total inventory has been built since 1950.

Housing Inventory by Age of Structure
Chattanooga, Tennessee, HMA
March 1966

Year built[a/]	Number of units	Percentage distribution
April 1960 - March 1966	10,950	13.2
1950 - March 1960	22,600	27.3
1940 - 1949	13,050	15.8
1930 - 1939	10,900	13.1
1929 or earlier	25,400	30.6
Total	82,900	100.0

a/ The basic data reflect an unknown degree of error in "year built" occasioned by the accuracy of response to census enumerators' questions as well as errors caused by sampling.

Sources: 1960 Census of Housing, adjusted to reflect additions and losses since 1960.

Condition of the Inventory. Currently, about 9,100 housing units (11.0 percent) in the Chattanooga HMA are dilapidated or lack one or more plumbing facilities, representing an improvement over the April 1960 ratio of 14.7 percent. The improving condition of the Chattanooga housing inventory is a result of stricter enforcement of building codes, particularly over the past two years, demolitions resulting from urban renewal and highway construction, and of a substantial volume of new construction.

Value and Rent. As reported by the Census of Housing, the median value of all owner-occupied units was $9,100 in 1960. An increase in the construction of homes in the $15,000 price class and over, the demolition of substandard housing, and the general increase in price levels since 1960, have raised the median value of owner-occupied units to $10,000 or more.

The median monthly gross rent (contract rent plus utilities and services), as reported by the 1960 Census of Housing, was about $57. New construction requires substantially higher rentals. The increase in two-family and multifamily construction and the general increase in rents for existing rental units throughout the area suggest that the median gross rent exceeds $65 a month currently.

Residential Building Activity

Past Trend. Building permit systems cover all residential construction in the HMA. Between January 1, 1960 and January 1, 1966, about 10,650 private housing units were authorized by building permits in the Chattanooga HMA. In addition, about 800 public low-rent units have been added in the same period. Since 1960, the number of permits issued has fluctuated considerably from year to year. An annual average of 1,800 units has been authorized,but the volume has ranged from a low of nearly 1,300 in 1963 to a high of about 2,275 in 1964. As shown in table IV, over 6,850 units, or 64.3 percent of all private dwelling units authorized since 1960, were authorized in unincorporated areas of the HMA. The majority of these areas are located to the north and east of Chattanooga.

New Construction by Type of Structure. Nearly 8,125 (76.1 percent) of the 10,650 private units authorized in the HMA between 1960 and 1965 were in single-family structures, 1,500 units (14.2 percent) were in duplexes, and about 1,025 (9.7 percent) were in multifamily structures of three or more units. As shown in the following table, the total authorized from year to year has shown much fluctuation within each category. The most significant variation occurred in 1964 when 38.7 percent (880 units) of the total number of units authorized was in multifamily structures of three units or more. In that year, construction was begun on several two-and three-story walk-up apartments, including a 160-unit Section 221 (d)(3) project, and a 117-unit Section 231 project.

Private Units Authorized by Building Permits by Type of Structure
Chattanooga, Tennessee, HMA
January 1, 1960 to January 1, 1966

		Type of structure		
Year	All units	Single-family	Two-family	Multifamily
1960	2,004 a/	1,573	394	37 a/
1961	1,836	1,617	201	18
1962	1,486 b/	1,187 c/	240 d/	59 e/
1963	1,289	1,165	124	-
1964	2,267	1,210	180	877
1965	1,787	1,369	378	40

a/ Excludes 192 units of public housing.
b/ Excludes 600 units of public housing.
c/ Excludes 100 units of public housing.
d/ Excludes 340 units of public housing.
e/ Excludes 160 units of public housing.

Source: Bureau of the Census, Construction Reports, C-40.

Units Under Construction. On the basis of building permit data and the postal vacancy survey conducted in February 1966, it is estimated that there are about 500 housing units under construction at the present time. This total includes about 300 single-family units and 200 two-family and multifamily units. Most of the new construction is located in Chattanooga and in the areas adjoining the city to the north and to the east.

Demolitions. Since April 1960, approximately 2,425 housing units have been removed from the Chattanooga housing stock. The majority of the units lost through demolition were in Chattanooga and were generally substandard houses removed as a result of building code enforcement, urban renewal activity, or highway construction. Other units have been removed from the inventory through conversion, fire loss, and other changes in the housing supply. During the March 1966 to March 1968 forecast period, about 600 units are expected to be demolished, primarily because of code enforcement.

Tenure of Occupancy

Current Estimate and Past Trend. As of March 1, 1966, there are approximately 79,400 occupied housing units in the Chattanooga HMA, of which 48,050 (60.5 percent) are owner-occupied and 31,350 (39.5 percent) are renter-occupied. This current tenure represents a slight shift to renter occupancy since April 1960 as a result of an increase in multifamily construction, including both private and public apartment projects. In contrast, as seen in table V, during the April 1950-April 1960 decade, renter occupancy decreased from 48 percent to about 39 percent, as the absolute number of renter-occupied units decreased from over 28,150 to 27,400.

Vacancy

1960 Census. There were about 2,350 nondilapidated, nonseasonal vacant available housing units in April 1960 in the Chattanooga area, equal to 3.2 percent of the total inventory. Of these, 750 were available for sale, a homeowner vacancy rate of 1.8 percent; the remaining 1,600 were available for rent, or a renter vacancy rate of 5.5 percent. Of the available vacant units, however, about 30 (4.0 percent) of the sales units and 330 (20.6 percent) of the rental units were lacking some or all plumbing facilities. The trend of vacancies since 1950 is presented in table V.

Postal Vacancy Survey. A postal vacancy survey was conducted in the area from February 15-21, 1966 covering over 70,700 total possible deliveries, or about 86 percent of the current housing inventory (see table VI). The survey reported a total of about 1,800 vacant units (2.6 percent). Of these units, 1,300 (2.0 percent vacancy) were vacant residences and 522 (8.2 percent vacancy) were vacant apartments. About 50 percent of the units listed as vacant residences, however, are actually available for rent.

It is important to note that the postal vacancy survey data are not entirely comparable with the data published by the Bureau of the Census because of differences in definition, area delineations, and methods of enumeration. The census reports units and vacancies by tenure, whereas the postal vacancy survey reports units by type of structure. The Post Office Department defines a "residence" as a unit representing one stop for one delivery of mail (one mailbox). These are principally single-family homes, but include some duplexes, row houses, and structures with additional units created by conversion. An "apartment" is a unit on a stop where more than one delivery of mail is possible. Although the postal vacancy survey has obvious limitations, when used in conjunction with other vacancy indicators, the survey serves a valuable function in the derivation of estimates of local market conditions.

Current Estimate. On the basis of the postal vacancy survey, vacancy data available in the HMA, and on observation, there are currently about 2,000 vacant nondilapidated, nonseasonal housing units (2.4 percent) available in the Chattanooga area. This total is somewhat below the 1960 vacancy level, reflecting a more favorable market situation. Of the 2,000 available vacancies, 500 are available for sale, or a homeowner vacancy rate of 1.0 percent, and the remaining 1,500 are available for rent, a renter vacancy rate of 4.6 percent. These ratios indicate a reasonable balance in both the sales and rental markets at the present time.

Sales Market

General Market Conditions. In the past several years, improved business conditions in the HMA have led to an improvement of the sales market, as indicated by the 1960 and current homeowner vacancy ratios of 1.8 and 1.0 percent, respectively. Most of the new sales construction in the area has been in subdivisions in or around Chattanooga. Generally, new homes are priced between $12,000 and $25,000, although the most popular price range is $12,000 to $16,000. Approximately 60 percent of all sales housing in the area is built speculatively. Little difficulty is reported in selling older homes in the area if their location and condition are suitable.

Rental Market

General Market Conditions. The market for rental housing also has shown considerable improvement since 1960, and currently there is only a moderate surplus of available rental units concentrated in a small number of apartment projects. The majority of the rental units in the HMA are older, single-family structures primarily located in the city of Chattanooga. Until recently, the construction of multifamily projects has been minimal. With the exception of the walk-up apartments built in 1964 and 1965, almost all new rental housing has been in duplex units. Local builders and realtors indicate that this situation is changing, however, and the volume of multifamily construction is expected to increase.

The multifamily projects built since the beginning of 1964 are experiencing good occupancy. Several older apartment projects, however, are experiencing some rental problems. These projects, for the most part, are those which compete with single-family rentals in terms of location, condition, and rent. High occupancy rates are reported for duplex and single-family structures.

Urban Renewal Activity

Currently, there is one urban renewal project in execution in the HMA. The Golden Gateway Urban Renewal Area is located in Chattanooga, and is bounded by the Tennessee River to the north and west, Chestnut and Carter Streets to the east, and West Main to the south. Property acquisition, family relocation, and demolition (1,175 units) have been completed. The predominant re-use of the area will be residential; a public housing complex and the recently-constructed Section 221(d)(3) BMIR project are presently located there. It is expected that the project will be substantially completed by 1970.

Another project is comtemplated in Chattanooga, but the application for planning has not yet been made.

Public Housing

All public housing units in Chattanooga are in Federally-aided low-rent projects. These projects have a total of 2,625 units, and report high occupancy rates. No additional housing units are under construction or are planned.

Demand for Housing

Quantitative Demand

The demand for new housing in the Chattanooga HMA is based on the projected household growth, 1,650 annually, on the net number of housing units expected to be lost by demolition, conversion, fire, and other inventory changes (300 annually) on the current tenure composition of the housing inventory, expected tenure shifts, and on the probability that some part of the demand for rental units will be supplied by single-family housing. Giving consideration to these factors, an annual demand of 1,675 housing units is forecast during the next two years. The total includes approximately 1,350 units of sales housing and 325 units of rental housing. At the lower rents possible with public benefits or assistance in financing or land acquisition there will be demand for an additional 175 rental units, excluding public low-rent housing or rent-supplement accommodations.

An annual construction volume of about 1,350 sales units during the forecast period is similar to that of 1965 and just slightly above the 1962-1964 pattern of single-family construction. The projected rental demand is above the volume of duplex and multifamily authorizations in most recent years, but considerably below that authorized in 1964. The rates of economic and household growth and the satisfactory sales and rental vacancy situations indicate that the projected levels of construction should provide an adequate supply of sales and rental housing and maintain the market in reasonable balance through the forecast period. The demand for new sales and rental housing is expected to be concentrated in the city of Chattanooga, East Ridge, and Red Bank-White Oak, and the areas adjoining the city to the north and east.

Qualitative Demand

Sales Housing. The expected distribution of the annual demand for 1,350 units of new sales housing is shown in the following table. The distribution is based on ability to pay, as measured by current family income and the ratio of sales to income typical in the area. Acceptable sales housing in the Chattanooga area cannot be produced to sell below $8,000.

Estimated Annual Demand for New Sales Housing by Price Class
Chattanooga, Tennessee, HMA
March 1, 1966 to March 1, 1968

Sales price	Number	Percent
$8,000 - $9,999	130	10
10,000 - 11,999	250	19
12,000 - 13,999	245	18
14,000 - 15,999	150	11
16,000 - 17,999	110	8
18,000 - 19,999	80	6
20,000 - 24,999	180	13
25,000 - 29,999	105	8
30,000 and over	100	7
Total	1,350	100

Rental Housing. The monthly rentals at which privately-owned net additions to the aggregate rental housing inventory might best be absorbed by the rental market are indicated for various size units in the following table. These net additions may be accomplished by either new construction or rehabilitation at the specified rentals with or without public benefits or assistance through subsidy, tax abatement, or aid in financing or land acquisition, excluding public low-rent housing and rent-supplement accommodations. Based on current construction and land costs, the minimum gross monthly rents achievable in the Chattanooga HMA without public benefits or assistance in financing or land acquisition are judged to be $70 for efficiencies, $90 for one-bedroom units, $110 for two-bedroom units, and $130 for three-bedroom units. As in the past, new rental construction should be concentrated in duplexes and other small multifamily structures. And, as the following table indicates, no demand is expected for efficiency units at the lower rents achievable with below-market-interest-rate financing or assistance in land acquisition and cost.

Estimated Annual Demand for New Rental Units by All Households
By Gross Monthly Rent and Unit Size
Chattanooga, Tennessee, HMA
March 1, 1966 to March 1, 1968

Gross monthly rent[a/]	Efficiency	One bedroom	Two bedroom	Three bedroom
	Size of unit			
$70 and over	20	210	-	-
75 " "	20	195	-	-
80 " "	20	180	-	-
85 " "	15	165	195	-
90 " "	15	150	170	-
95 " "	10	130	160	-
100 " "	10	110	145	75
110 " "	10	90	120	60
120 " "	5	70	100	45
130 " "	5	50	80	35
140 " "	-	35	60	25
150 " "	-	25	40	15
160 " "	-	15	30	10
170 " "	-	10	20	5

a/ Gross rent is shelter rent, plus the cost of utilities.

Note: The above figures are cumulative and cannot be added vertically. For example, demand for one-bedroom units, at rents from $100 to $130 is 55 units (110 minus 55).

The preceding distribution of average annual demand for new apartments is based on projected tenant-family income, the size distribution of tenant households, and rent-paying propensities found to be typical in the area; consideration is also given to the recent absorption experience of new rental housing. Thus, it represents a pattern for guidance in the production of rental housing predicated on foreseeable quantitative and qualitative considerations. Individual projects may differ from the general pattern in response to specific neighborhood or sub-market requirements.

The location factor is of especial importance in the provision of new units at the lower-rent levels. Families in this user group are not as mobile as those in the other economic segments, they are less able or willing to break with established social, church, and neighborhood relationships, and proximity to place of work frequently is a governing consideration in the place of residence preferred by families in this group. Thus, the utilization of lower-priced land for new rental housing in outlying locations to achieve lower rents may be self-defeating unless the existence of a demand potential is clearly evident.

APPENDIX TABLES

Table I

Civilian Work Force Components
Chattanooga, Tennessee, HMA,[a] 1957-1965
(Annual average in thousands)

	1957	1958	1959	1960	1961	1962	1963	1964[b]	1965[b]
Total work force	117.9	116.0	117.2	119.8	121.4	119.9	121.0	124.5	128.5
Unemployment	7.1	9.2	7.6	7.5	9.3	9.5	9.0	7.1	4.6
Percent unemployed	6.0%	7.9%	6.5%	6.3%	7.7%	7.9%	7.4%	5.7%	3.5%
Nonagricultural employment	108.7	104.7	107.5	110.2	110.0	108.7	110.3	116.0	122.3
Wage and salary	93.7	89.7	92.4	94.4	94.0	93.2	95.4	100.4	106.3
Other	15.0	15.0	15.1	15.8	16.0	15.5	14.9	15.6	16.0

a/ Includes Walker County, Georgia.
b/ Preliminary data.

Source: Tennessee Department of Employment Security.

Table II

Trend of Nonagricultural Wage and Salary Employment
Chattanooga, Tennessee, HMA,[a] 1957-1965
(Annual average in thousands)

Industry	1957	1958	1959	1960	1961	1962	1963	1964[b]	1965[b]
Wage and salary employment	93.7	89.7	92.4	94.4	94.0	93.2	95.4	100.4	106.3
Manufacturing	44.5	41.0	41.9	42.5	40.5	38.8	39.7	41.8	44.3
Durable goods	20.9	19.0	18.9	19.2	18.3	17.8	18.3	18.6	19.6
Stone, clay, & glass	2.9	2.6	2.9	2.8	2.7	2.6	2.6	2.4	2.2
Primary metals	4.8	3.0	3.1	3.1	2.9	3.4	3.8	3.9	4.2
Fabricated metals	7.8	7.9	7.0	7.4	7.2	6.3	6.2	6.3	6.7
Machinery (except electrical)	1.8	1.8	1.8	1.7	1.4	1.3	1.6	1.8	2.2
Other durable goods	3.7	3.6	4.1	4.2	4.0	4.2	4.1	4.2	4.3
Nondurable goods	23.6	22.0	23.0	23.3	22.2	21.0	21.4	23.2	24.7
Food products	3.3	3.3	3.3	3.5	3.4	3.3	3.5	3.7	3.7
Textile mill products	11.7	11.4	12.0	12.0	11.0	9.5	9.1	9.9	10.7
Chemicals	4.2	3.4	3.6	3.7	3.9	4.2	4.7	5.3	6.1
Other nondurable goods	4.4	3.9	4.2	4.2	3.9	3.9	4.1	4.3	4.2
Nonmanufacturing	49.2	48.7	50.5	51.9	53.5	54.4	55.7	58.6	62.0
Contract construction	3.3	3.0	3.3	3.2	3.1	3.1	3.0	4.1	5.3
Trans., comm., & utilities	5.2	4.9	4.8	4.8	4.9	4.7	4.8	5.0	5.1
Trade	16.9	16.6	17.4	17.9	18.2	18.1	18.2	19.0	19.4
Wholesale	4.6	4.4	4.4	4.4	4.8	4.9	5.0	5.3	5.5
Retail	12.3	12.2	13.0	13.5	13.4	13.2	13.2	13.7	13.9
Fin., ins., & real estate	4.7	4.8	4.8	5.1	5.4	5.4	5.6	5.6	5.7
Services	9.9	9.7	10.0	10.3	10.6	11.1	11.7	12.3	12.8
Mining	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Government	9.1	9.8	10.1	10.6	11.3	11.8	12.2	12.4	13.5

Note: Components may not add to totals because of rounding.

a/ Includes Walker County, Georgia, which is not in the HMA. Walker County accounts for about 14 percent of the nonagricultural employment in the two-county labor market area.

b/ Preliminary data.

Source: Tennessee Department of Employment Security.

Table III

Estimated Percentage Distribution of Families by Annual Income
After Deduction of Federal Income Tax
Chattanooga, Tennessee, HMA
1966 and 1968

Income	1966 All families	1966 Renter families	1968 All families	1968 Renter families
Under $3,000	20	34	19	32
$3,000 - 3,999	10	15	9	14
4,000 - 4,999	11	12	11	13
5,000 - 5,999	11	11	10	12
6,000 - 6,999	11	10	12	9
7,000 - 7,999	9	6	9	7
8,000 - 8,999	7	5	7	4
9,000 - 9,999	5	3	5	3
10,000 - 11,999	7	2	8	3
12,000 and over	9	2	10	3
Total	100	100	100	100
Median	$5,800	$4,100	$6,050	$4,200

Source: Estimated by Housing Market Analyst.

Table IV

Dwelling Units Authorized by Building Permits
Chattanooga, Tennessee, HMA
January 1, 1950-February 1, 1965

Year	Chattanooga	East Ridge	Lookout Mountain	Red Bank-White Oak	Ridgeside	Signal Mountain	Remainder of HMA	Total HMA
1950	582[a]	NA	18	NA	NA	23	NA	623[a]
1951	380[b]	NA	21	NA	NA	9	NA	410[b]
1952	314	NA	12	NA	NA	12	NA	338
1953	323	NA	17	NA	NA	33	NA	373
1954	430[c]	NA	8	NA	NA	79	1,180	1,697[c]
1955	401	NA	14	NA	NA	76	1,090	1,581
1956	430	NA	2	NA	NA	73	767	1,272
1957	422	NA	7	NA	NA	47	690	1,166
1958	653	NA	7	NA	NA	39	983	1,682
1959	735	NA	14	NA	NA	68	1,194	2,011
1960	593[d]	189	15	113	6	46	1,042	2,004[d]
1961	403	113	3	66	3	37	1,211	1,836
1962	361[e]	65	7	86	2	36	929[f]	1,486[g]
1963	201	71	10	37	1	37	932	1,289
1964	621	55	5	75	3	45	1,463	2,267
1965	229	100	7	114	2	52	1,283	1,787

a/ Excludes 400 units of public housing.
b/ Excludes 402 units of public housing.
c/ Excludes 206 units of public housing.
d/ Excludes 192 units of public housing.
e/ Excludes 500 units of public housing.
f/ Excludes 100 units of public housing.
g/ Excludes 600 units of public housing.

Sources: Bureau of the Census, Construction Reports, C-40, and local Building Inspectors.

Table V

Components of the Housing Supply
Chattanooga, Tennessee, HMA
April 1950-March 1966

Components	April 1950	April 1960	March 1966
Total housing supply	60,713	74,377	82,900
Occupied housing units	58,620	69,825	79,400
Owner occupied	30,458	42,413	48,050
Percent	52.0%	60.7%	60.5%
Renter occupied	28,162	27,412	31,350
Percent	48.0%	39.3%	39.5%
Vacant housing units	2,093	4,552	3,500
Available vacant	826	2,361	2,000
For sale	241	769	500
Homeowner vacancy rate	0.8%	1.8%	1.0%
For rent	585	1,592	1,500
Renter vacancy rate	2.0%	5.5%	4.6%
Other vacant a/	1,267	2,191	1,500

a/ Includes vacant seasonal units, dilapidated units, units sold or rented awaiting occupancy, and units held off the market.

Sources: 1950 and 1960 Censuses of Housing.
1966 estimated by Housing Market Analyst.

Table VI

Chattanooga, Tennessee, Area Postal Vacancy Survey

February 15-21, 1966

Postal area	Total residences and apartments: Total possible deliveries	Vacant units: All	%	Used	New	Under const.	Residences: Total possible deliveries	Vacant units: All	%	Used	New	Under const.	Apartments: Total possible deliveries	Vacant units: All	%	Used	New	Under const.	House trailers: Total possible deliveries	Vacant: No.	%
The Survey Area Total	70,722	1,811	2.6	1,515	296	466	64,364	1,289	2.0	1,086	203	295	6,358	522	8.2	429	93	171	958	66	6.9
Chattanooga	63,502	1,613	2.5	1,387	226	353	57,293	1,114	1.9	980	134	184	6,209	499	8.0	407	92	169	863	62	7.2
Main Office	7,562	255	3.4	255	-	119	4,775	143	3.0	143	-	-	2,787	112	4.0	112	-	119	7	2	28.6
Branches:																					
East Ridge	6,667	144	2.2	135	9	17	6,656	140	2.1	131	9	17	11	4	36.4	4	-	-	154	4	2.6
Red Bank	6,072	70	1.2	48	22	24	5,696	35	0.6	26	9	8	376	35	9.3	22	13	16	106	-	-
Stations:																					
Alton Park	2,304	26	1.1	23	3	-	2,177	15	0.7	15	-	-	127	11	8.7	8	3	-	-	-	-
Brainerd	11,196	322	2.9	212	110	69	10,287	208	2.0	165	43	53	909	114	12.5	47	67	16	271	3	1.1
East Chattanooga	7,746	193	2.5	133	60	83	7,622	172	2.3	119	53	69	124	21	16.9	14	7	14	62	37	59.7
East Lake	4,424	78	1.8	77	1	1	3,960	72	1.8	71	1	1	464	6	1.3	6	-	-	-	-	-
Highland Park	8,208	251	3.1	251	-	10	7,363	134	1.8	134	-	8	845	117	13.8	117	-	2	47	-	-
North Chattanooga	5,249	180	3.4	173	7	16	4,703	113	2.4	107	6	16	546	67	12.3	66	1	-	118	9	7.6
St. Elmo	4,074	94	2.3	80	14	14	4,054	82	2.0	69	13	12	20	12	60.0	11	1	2	98	7	7.1
Other Cities and Towns	7,220	198	2.7	128	70	113	7,071	175	2.5	106	69	111	149	23	15.4	22	1	2	95	4	4.2
Hixson	4,120	107	2.6	52	55	80	4,078	102	2.5	47	55	78	42	5	11.9	5	-	2	95	-	-
Lookout Mountain 1/	811	27	3.3	27	-	5	728	17	2.3	17	-	5	83	10	12.0	10	-	-	-	-	-
Signal Mountain	2,289	64	2.8	49	15	28	2,265	56	2.5	42	14	28	24	8	33.0	7	1	-	-	-	-

The survey covers dwelling units in residences, apartments, and house trailers, including military, institutional, public housing units, and units used only seasonally. The survey does not cover stores, offices, commercial hotels and motels, or dormitories; nor does it cover boarded-up residences or apartments that are not intended for occupancy.

The definitions of "residence" and "apartment" are those of the Post Office Department, i. e.: a residence represents one possible stop with one possible delivery on a carrier's route; an apartment represents one possible stop with more than one possible delivery.

Source: FHA postal vacancy survey conducted by collaborating postmaster(s).

1/ Represents only the Tennessee portion of the Lookout Mountain postal service area.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
Washington, D. C. 20411

NEWS

FHA INFORMATION 382-4693

FOR RELEASE THURSDAY
SEPTEMBER 15, 1966

MC-FHA-MA-66-7
Poston

The Federal Housing Administration today released its analysis of the Chattanooga, Tennessee, housing market as of March 1, 1966. The housing market area covers all of Hamilton County.

Demand for additional new housing is forecast at 1,675 units a year for the next two years. The estimate includes 1,350 sales units and 325 rental units. An additional 175 rental units could be marketed each year at the lower rents possible only with public benefits or assistance. Figures do not include public low-rent housing or rent-supplement housing.

March 1966 vacancy levels indicated "balance in both the sales and rental markets." Of the 2,000 units then vacant and available, 500 were for sale only and 1,500 were for rent. These represent vacancy ratios of 1.0 percent and 4.6 percent, respectively.

Most of the building volume since 1960 has been in single-family homes. Of 10,650 private dwelling units authorized since January 1960, about 76 percent were in single-family homes, 14 percent were in duplexes, and 10 percent were in structures of three or more units. In March 1966, about 300 single-family units and about 200 two-family and multifamily units were being built.

In the Chattanooga labor market area (Hamilton County, Tenn., and Walker County, Ga.) employment has increased and is expected to continue to increase. Nonagricultural wage and salary employment averaged 106,300 in 1965, an increase of 12,600 jobs during the 1957-1965 period. Gains totaling about 5,000 are expected during the forecast years.

During 1965, unemployment averaged about 3.5 percent of the total work force of the labor market area. This was the lowest rate experienced during the 1957-1965 period. It reflects a "substantial decline" from the high rates of 1958 (7.9 percent), 1961 (7.7 percent), and 1962 (7.9 percent).

- more -

Family incomes in the housing market area are expected to rise. In March 1966, the median annual income of all families, after deduction of federal income tax, was about $5,800. For all renter families it was about $4,100. By 1968, these figures are expected to increase to $6,050 and $4,200, respectively.

Forecast gains for population and number of households are slightly above gains since April 1960. In March 1966, the population was about 267,800 persons, 29,900 higher than the April 1960 total. An increase of 5,350 persons a year is expected during the forecast years. In March 1966, there were 79,400 households, an increase of about 9,575 above the April 1960 total. An average annual gain of about 1,650 is expected during the two-year forecast period.

Requests for copies of the analysis should be directed to Mr. Roy C. Huskey, Director, Federal Housing Administration, 725 Gay Street, S. W., Knoxville, Tennessee 37902.

* * * * *

9/15/66

213145-I