The

CURRENT HOUSING MARKET SITUATION-CHATTANOOGA, TENNESSEE

as of November 1, 1973

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
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Chattanooga, Tennessee, as of November 1, 1973

Foreword

This current housing situation report has been prepared for the assistance and guidance of the Department of Housing and Urban Development in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The report does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis Division of the Knoxville Area Office on the basis of information available on the "as of" date from both local and national sources. Subsequent market developments may, of course, occasion modifications in the conclusions of this report.

The prospective demand estimates suggested in the report are based upon an evaluation of the factors available on the "as of" date. They should not be construed as forecasts of building activity, but rather as estimates of the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Economic and Market Analysis Division
Knoxville Area Office

THE CURRENT HOUSING MARKET SITUATION
CHATTANOOGA, TENNESSEE
AS OF NOVEMBER 1, 1973

For the purposes of this analysis, the Chattanooga Housing Market Area (HMA) is defined as being coterminous with Hamilton County, Tennessee. The HMA is located in southeastern Tennessee, approximately 115 miles southwest of Knoxville.

During the past two and three-quarter years, residential construction activity has been at a high level with 3,854 building permits being issued annually during that time period, compared with an annual issuance rate of 1,984 building permits during the 11-year period 1960 through 1970. This large volume of construction activity has not yet caused an increase in vacancy rates. However, with approximately 2,800 multifamily units presently under construction, the rental vacancy rate is expected to increase somewhat as many of these units become available for occupancy within the next 6 to 12 months. The vacancy rate for sales housing is expected to remain reasonably constant. The expectation of increased rental vacancy rates, plus an anticipated slight decrease in the growth rates of population and employment, form the basis for the suggestion that the level of residential construction activity be somewhat curtailed during the next two years.

Anticipated Demand for Housing

On the basis of anticipated population and household growth, the number of housing units currently under construction, current vacancy levels, and anticipated demolitions, it is estimated that sufficient demand will exist for the issuance of building permits to authorize the construction of 2,000 units annually of new, nonsubsidized housing in the Chattanooga HMA during the two-year period ending November 1, 1975. The housing marketed to meet this demand would be most readily absorbed if the annual volume of new, nonsubsidized units were composed of 1,100 single-family houses, 700 multifamily units, and 200 mobile homes. The qualitative demand for these units in terms of prices, rents, and unit sizes is shown in table I.

It is estimated that during the two-year forecast period (November 1, 1973 to November 1, 1975) an annual demand will exist for 250 units of low-rent public housing for families (no more than 150 should be provided through the rent supplement program) and 100 units of low-rent public housing for the elderly. This demand is in addition to 245 units of public housing for families under construction (project Tenn. 4-13, 4-14, 4-18, and 4-19), 200 units for families under development (Tenn. 4-22), and 200 units for the elderly under development (Tenn. 4-21). 1/

The 166 units of Section 236 housing for families currently under development (project 44039) satisfy the demand for such housing for the first year of the forecast period (November 1, 1973 to November 1, 1974). Due to current vacancy levels in existing Section 236 projects, no Section 236 housing for families can be recommended for the period November 1, 1974 to November 1, 1975 until a satisfactory occupancy level is attained in these existing units. No Section 236 housing for the elderly can be recommended until the absorption rate of the 204 units of elderly housing under construction in project 44033 can be determined.

The current estimate of Section 235 cases ever written is 1,425. Eighty-eight of these cases have terminated in default, 69 of which have been acquired. Seven of these acquisitions have been sold, one is to be razed, and sales contracts exist on another 22. There are an additional 93 Section 235 cases which are 90 or more days behind with payments. Historically, about 75 percent of the cases that are delinquent for 90 or more days eventually end in default terminations. Applying this percentage to the 93 delinquent cases in Hamilton County, it can be expected that another 70 cases will be added to the current inventory of 88 terminations, resulting in 158 default terminations and a default termination rate of 11 percent. On the basis of this relatively high default termination rate, it is recommended that no more than 200 homes be insured annually under the provisions of Section 235 during the two-year period subsequent to November 1, 1973. This can be contrasted with an annual average of 450 Section 235 insurance cases during the peak years 1970 - 1972.

Economic and Demographic Factors

Employment. The Chattanooga Labor Market Area,2/ as defined by the Tennessee Department of Employment Security, consists of Hamilton County, Tennessee, and Walker County, Georgia. All employment statistics are published as aggregate numbers for this two county area.

1/ The occupancy potentials referred to in this analysis are dependent upon the capacity of the market in view of existing vacancy strength or weakness. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents and selling prices over the complete range attainable for housing under the specified programs. These estimates are not affected by the January 1973 "hold" on additional commitments for these programs; they will be applicable if funding is resumed or as a guide to local decisions with regard to the use of special revenue sharing or other alternatives for housing subsidies.

2/ Hamilton County, on the basis of population, comprises approximately 84 percent of this area.

During the first eight months of 1973 an average of 138,900 persons were employed in nonagricultural wage and salary industries. Despite a slight decline in 1970, nonagricultural wage and salary employment increased at an annual rate of 4,190 persons during the period 1963 - 1972. The nonmanufacturing component displayed a consistent growth rate during this period. In contrast, growth in the manufacturing sector was erratic, primarily as a result of fluctuations in chemicals and fabricated metals, which, in the Chattanooga Labor Market Area, are definitely defense-related.

Income. As of November 1973, the estimated median annual income of all families in the Chattanooga HMA was $11,200. Renter households of two or more persons had an estimated annual income of $8,200. Table IV shows percentage distributions of families and renter households by 1969 and 1973 incomes.

Population and Households. The total population in the HMA is currently about 262,000, an increase of about 7,760 over the April 1970 level. The current total represents an average annual gain of about 2,170 persons since 1970. During the 1960 - 1970 decade, the total population increased by 16,331 persons, an average annual gain of about 1,630 persons. On the basis of anticipated gains in employment and in college and other institutional population, the total population in Hamilton County is expected to increase by 4,300 (2,150 persons per year) to a November 1975 total of 266,300 persons.

Since April 1970, the number of households in the HMA has increased by about 5,323 to a current total of 87,600 households, an annual gain of about 1,485. Between 1960 and 1970 the number of households increased by 12,452, an annual gain of 1,245 households. The average number of persons per household in the HMA has decreased from 3.35 in 1960 to 3.04 in 1970, and to slightly less than 3 in November 1973. Only a slight decline in households size is anticipated during the forecast period.

Housing Market Factors

Housing Supply. The housing inventory in the HMA is now 92,900 units, a net gain of around 5,300 units since April 1970. The growth of the inventory averaged about 1,322 units a year during the 1960 - 1970 decade, and has grown at a rate of about 1,480 annually since then.

Residential Building Activity. During the 1960 - 1970 decade, some 19,054 housing units were authorized by building permits in the HMA, of which 67 percent were single-family. Since January 1970 some 13,369 units have been authorized by building permits, of which 46 percent were single-family. Thus, approximately 3,575 housing units have been authorized annually since 1970, compared with 1,905 units a year during the 1960 - 1970 decade. Building authorizations for single-family units have increased slightly from an average of 1,279 per year during the 1960 - 1970 decade to an average of 1,625 per year since January 1970. Multifamily authorizations however, have more than tripled, increasing from an annual average of 626 during the decade of the 1960's to an average of 1,950 per year since January 1970. Based on the results of a postal vacancy survey conducted in October of 1973, on building permit authorizations, and on personal observation, it is estimated that about 3,250 housing units are currently in some stage of construction in the HMA. Approximately 2,800 of these units are multifamily and 450 are single-family.

Sales Market. The market for existing sales housing appears to be relatively firm. This sub-market has been strengthened in recent years by the demolition of many older sales units, by the transfer of older houses from the sales to the rental market, and, particularly in recent months, by the desirability of assuming a lower cost mortgage as opposed to financing a new home at the currently higher rates.

The market for new sales housing appears to be softening somewhat, primarily due to the fact that the Chattanooga HMA mortgage market is not amply supplied with funds, currently. About the only new sales construction priced under $23,000 is in the domain of condominiums. This type sales housing is relatively new to the Chattanooga HMA and sales of these units have gone rather slowly.

The current vacancy rate for single-family residences is estimated to be 1.5 percent, relatively unchanged since the Census of April 1970.

Rental Market. The market for rental housing in the Chattanooga HMA is relatively firm at the present time with an estimated vacancy rate of 5.1 percent reflecting a balanced market. However, the large number of multifamily rental units presently under construction could change appreciably the market conditions when many become available within the next 6 to 12 months.

According to a sample survey conducted recently, rentals in newer multifamily projects (less than three years old) range from $140 to $175 for one-bedroom apartments, from $160 to $245 for two-bedroom apartments, and from $250 to $300 for three-bedroom apartments.

The older, well-located and maintained projects have shown an excellent occupancy experience for the past several years. Monthly rentals in these projects generally range from $85 to $115 for one-bedroom apartments, from $100 to $145 for two-bedroom apartments, and typically $150 for three-bedroom apartments.

Subsidized Housing. There are 3,131 public housing units in the HMA at the present time with a vacancy rate of less than one percent. An additional 645 units are either under construction or in earlier stages of development. The Chattanooga Housing Authority reports a waiting list of 279 applicants who have been verified eligible for admission to public housing. Another 154 applications have been received and are awaiting administrative processing. The following table shows a bedroom distribution for the 279 eligible applicants.

	Bedrooms						
	0	1	2	3	4	5	Total
Elderly	85	6	-	-	-	-	91
Nonelderly	-	61	82	27	12	6	188

The three rent supplement projects in the Chattanooga HMA, with a total of 251 units report 9 vacant units for a vacancy rate of 3.6 percent. Chattanooga's two Section 221 (d)(3) BMIR projects currently report a vacancy rate of less than one percent, with only 3 vacancies in 310 units. There is one Section 202 project in Chattanooga and it invariably reports 100 percent occupancy of its 204 units. Chattanooga has 332 units of Section 236 housing. One hundred and seventy-six of these units are contained in 2 projects that report a combined vacancy rate of 9 percent. The remaining 156 units are located in a project still in initial occupancy status with 73 of the 156 units remaining unoccupied.

Table I

Estimates Annual Demand for Nonsubsidized Housing
Chattanooga, Tennessee, Housing Market Area
November 1, 1973 - November 1, 1975

(A) Single-family

Sales Price	Number of Units	Percent of Total
$20,000 - $22,499	185	17
22,500 - 24,999	165	15
25,000 - 29,999	310	28
30,000 - 34,999	185	17
35,000 - 39,999	110	10
40,000 and over	145	13
Total	1,100	100

(B) Multifamily

Gross Monthly Rent[a/]	Unit Size			
	Efficiency	One Bedroom	Two Bedrooms	Three Bedrooms
$120 - $129	20	-	-	-
130 - 149	15	-	-	-
150 - 169	5	120	-	-
170 - 189	-	80	110	-
190 - 209	-	40	75	20
210 - 229	-	25	55	15
230 - 249	-	15	35	10
250 - 269	-	10	25	10
270 - 289	-	-	10	5
290 and over	-	-	-	-
Total	40	290	310	60

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

Source: Estimated by Economist.

Table II

Trend Of Civilian Work Force Components
Chattanooga, Tennessee-Georgia, SMSA*
Annual Averages in Thousands, 1965 - 1972

Component	1965	1966	1967	1968	1969	1970	1971	1972
Civilian work force	130.3	137.8	140.6	143.5	149.3	150.2	154.3	159.4
Employed	126.1	133.4	135.8	138.2	144.6	144.0	147.8	153.6
Agricultural	2.2	2.2	2.2	2.0	2.0	1.8	1.6	1.5
Nonagricultural	123.9	131.2	133.6	136.2	142.6	142.2	146.2	152.1
Wage & salary, except domestics	108.0	116.2	119.2	122.2	128.3	128.0	131.6	137.3
Unemployed	4.2	4.1	4.3	4.2	4.3	5.7	6.4	5.6
Unemployment rate	3.2	3.0	3.1	2.9	2.9	3.8	4.1	3.5
Persons involved in labor disputes	0.0	0.3	0.5	1.1	0.4	0.5	0.1	0.2

Source: Tennessee Department of Employment Security.
* Employment data available for SMSA only (Hamilton County, Tennessee and Walker County, Georgia).

Table III

Trend Of Nonagricultural Wage and Salary Employment
Chattanooga, Tennessee-Georgia, SMSA*
Annual Averages in Thousands, 1965 - 1972

	1965	1966	1967	1968	1969	1970	1971	1972
Total Wage & Salary	108.0	116.2	119.2	122.2	128.3	128.0	131.6	137.3
Manufacturing	45.2	49.9	51.4	51.5	55.0	52.9	52.6	53.6
Durable goods	19.9	21.7	22.4	21.8	23.6	23.1	23.1	23.5
Lumber (ex. furn.)	1.1	1.2	1.1	1.0	1.0	0.6	0.5	0.7
Stone, clay & glass	2.3	2.5	2.5	2.3	2.5	2.7	2.6	2.7
Primary metals	4.3	4.6	4.6	4.1	4.5	4.2	4.3	4.6
Fabricated metals	6.8	7.3	8.0	7.4	8.0	8.6	8.1	7.8
Machinery (ex. elec.)	2.3	2.6	2.6	2.8	3.1	3.0	2.9	3.1
All other	3.1	3.5	3.6	4.2	4.5	4.0	4.7	4.3
Nondurable goods	25.3	28.2	29.0	29.7	31.4	29.8	29.5	29.7
Food products	3.7	3.7	3.9	3.9	4.2	4.2	4.0	4.0
Textile mill products	11.0	11.4	11.5	11.9	12.3	12.0	11.8	11.7
Knitting mills	3.2	3.0	3.2	3.1	3.4	3.4	3.2	2.8
Apparel	1.4	1.6	1.3	1.1	1.1	1.2	1.3	1.4
Paper products	1.3	1.4	1.3	1.2	1.2	1.3	1.3	1.2
Printing & publishing	1.0	1.2	1.4	1.6	1.7	1.6	1.6	1.6
Chemicals	6.0	7.9	8.6	8.9	9.4	7.8	7.6	8.2
All other	0.9	1.0	1.0	1.1	1.5	1.7	1.9	1.9
Nonmanufacturing	62.8	66.3	67.8	70.7	73.3	75.1	79.0	83.7
Mining	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.3
Construction	4.8	5.8	5.2	5.4	5.7	5.5	5.7	5.9
Trans., comm. & pub. util.	5.5	5.7	6.0	6.4	6.5	6.5	6.6	6.3
Wholesale & retail trade	19.8	20.9	21.3	21.9	23.2	24.0	24.0	25.3
Fin., ins., & real estate	5.7	6.1	6.5	6.8	7.1	7.1	7.3	7.7
Services	13.0	13.5	14.0	14.7	15.4	16.0	16.4	17.5
Government	13.0	14.1	14.7	15.3	15.2	15.8	18.7	20.7

Source: Tennessee Department of Employment Security.
* Annual employment data available for SMSA only (Hamilton County, Tennessee and Walker County, Georgia).

Table IV

Estimated Percentage Distribution
Of All Families and Renter Households by Annual Income
Hamilton County, Tennessee
1969 - 1973

Income	All families 1969	All families 1973	Renter households* 1969	Renter households* 1973
Under $3,000	13	8	21	12
$3,000 - 3,999	5	3	8	6
4,000 - 4,999	6	2	9	6
5,000 - 5,999	7	3	10	7
6,000 - 6,999	7	5	9	9
7,000 - 7,999	8	8	8	8
8,000 - 8,999	7	8	8	8
9,000 - 9,999	7	6	6	7
10,000 - 12,499	13	14	10	14
12,500 - 14,999	11	13	5	9
15,000 - 19,999	11	16	4	9
20,000 and over	5	14	2	5
Total	100	100	100	100
Median	$8,600	$11,200	$6,200	$8,200

Source: Estimated by Economist.

* Renter households of two or more persons.

Table V

Housing Units Authorized by Building Permits
Hamilton County, Tennessee
1960 - September 1973

Year	Nonsubsidized Housing Units			Subsidized Housing Units				Total Housing Units Authorized
	Single-Family	Multi-Family	Total	LRPH and RS Housing	BMIR and Section 236 Housing	Section 235[a] Housing	Total	
1960	1585	419	2004	192	0	0	192	2196
1961	1617	219	1836	0	0	0	0	1836
1962	1287	299	1586	500	0	0	500	2086
1963	1165	124	1289	0	0	0	0	1289
1964	1210	897	2107	0	160	0	160	2267
1965	1357	546	1903	0	0	0	0	1903
1966	1164	420	1584	0	0	0	0	1584
1967	1255	570	1825	0	0	0	0	1825
1968	1159	724	1883	120	354	0	474	2357
1969	985	616	1601	100	0	10	110	1711
1970	1076	810	1886	350	184	350	884	2770
1971	1107	1563	2670	179	0	545	724	3394
1972	1426	2043	3469	43	156	450	649	4118
Jan.-Sept. 1973	1062	1647	2709	104	204	70	378	3087

[a] Estimated by Economist.
Source: Bureau of the Census, Construction Reports, C-40; local permit issuing authorities.

Table VI

Trends Population and Household Growth
Chattanooga, Tennessee, Housing Market Area
April 1960 - November 1975

					Average Annual Change					
					1960 - 1970		1970 - 1973		1973 - 1975	
Population	April 1960	April 1970	Nov. 1973	Nov. 1975	Number	Rate[a]	Number[b]	Rate[a]	Number	Rate[a]
Hamilton County	237,905	254,236	262,000	266,300	1,633	0.7	2,170	0.9	2,150	0.8
Households										
Hamilton County	69,825	82,277	87,600	90,000	1,245	1.6	1,485	1.8	1,200	1.3

a/ Average annual rates computed on a compound basis.

b/ Rounded.

Sources: 1960 and 1970 Censuses of Population and Housing; estimates by Economist.