

COMPREHENSIVE HOUSING MARKET ANALYSIS

Chattanooga, Tennessee-Georgia

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of May 1, 2021



PD&R

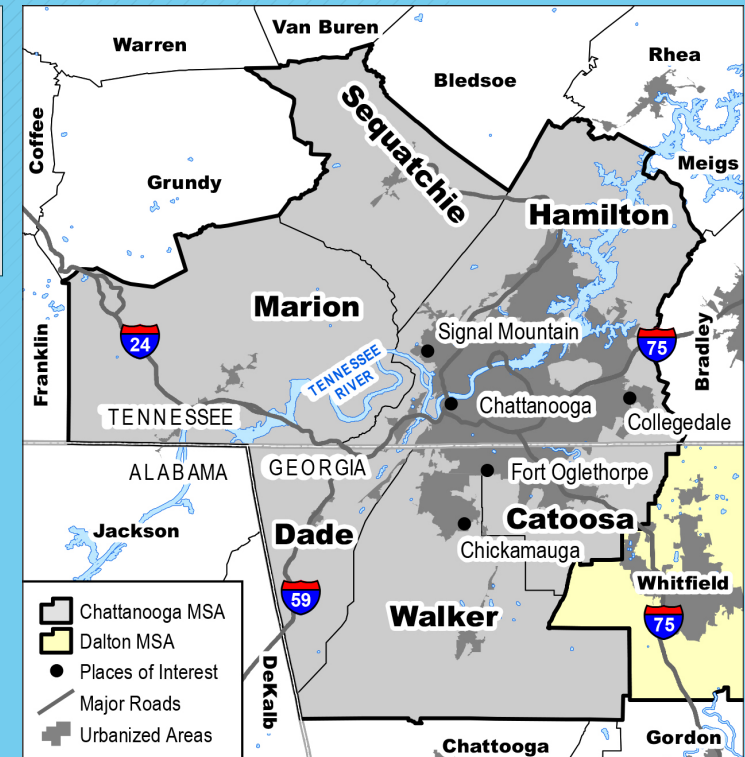
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Executive Summary

Housing Market Area Description

The Chattanooga Housing Market Area (HMA), which includes Hamilton, Marion, and Sequatchie Counties in southern Tennessee and Catoosa, Dade, and Walker Counties in northern Georgia, is coterminous with the Chattanooga, TN-GA Metropolitan Statistical Area. The city of Chattanooga is positioned between the Cumberland Plateau and the Appalachian Mountains and is known as “The Scenic City” for its beautiful natural surroundings that feature world-class climbing, hiking loops, kayak routes, and mountain biking trails.

The current population of the HMA is estimated at 573,400.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Weak, but Improving: Nonfarm payrolls declined during the 12 months ending April 2021 by 9,900 jobs, or 3.7 percent, from 1 year earlier, and 9 of 11 payroll sectors either lost jobs or had no gains.

After 10 consecutive years of economic expansion following the Great Recession, economic conditions in the HMA weakened during 2020 as a result of the interventions to slow the spread of COVID-19. The tourism industry has been severely affected during the pandemic, and industry job losses led overall declines in both the HMA and the state. The gradual reopening of businesses in the second quarter of 2020 had a positive impact on the HMA economy by contributing to a partial recovery in jobs during the past year. That recovery is expected to continue during the 3-year forecast period. Nonfarm payroll growth in the HMA is expected to average 1.0 percent annually, and payrolls are expected to make a full recovery of the lost jobs during the 3-year forecast period.

Sales Market



Balanced: During the 12 months ending April 2021, the average existing home sales price increased 13 percent from the previous year.

The sales market in the HMA is balanced, with an estimated sales vacancy rate of 1.4 percent, down from 2.9 percent in 2010. During the 12 months ending April 2021, home sales, including new and existing homes, totaled approximately 12,300, reflecting a 12-percent increase from a year earlier, and the average home sales price rose 9 percent, to \$248,300 (Zonda). During the 3-year forecast period, demand is estimated for 5,125 new homes. The 810 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market



Balanced: During the first quarter of 2021, the average apartment rent increased 3 percent compared with the same period a year earlier.

The overall rental market in the HMA is balanced, with an estimated vacancy rate of 7.9 percent, down from 10.0 percent in April 2010. Apartment market conditions are also balanced, with a vacancy rate of 6.5 percent during the first quarter of 2021, compared with 6.3 percent during the first quarter of 2020 (Moody's Analytics REIS). During the forecast period, demand is expected for 1,975 new rental units. The 650 units under construction are expected to satisfy a portion of this demand during the first year of the forecast period.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Chattanooga HMA		
Total Demand	5,125	1,975
Under Construction	810	650

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2021. The forecast period is May 1, 2021, to May 1, 2024.
Source: Estimates by the analyst



Economic Conditions

Largest Sector: Government

Although the government sector has provided generally steady job growth in the HMA since 2001, adding an average of 200 jobs, or 0.5 percent, annually, the education and health services sector has led job growth since 2001, increasing by an average of 600 jobs, or 2.4 percent, annually.

Primary Local Economic Factors

The Chattanooga HMA is at the junction of three states: Tennessee, Georgia, and Alabama. It has an extensive system of highways, and the infrastructure for air, water, and rail transit helps make the area a major transportation and distribution hub. The HMA is at the crossroads of several major U.S. highways, including Interstates 75, 24, and 59. The Tennessee River bisects the HMA, which is home to two ports, the Port of Chattanooga and the Centre South Riverport, both within the city limits of Chattanooga. The HMA is home to the Volkswagen manufacturing facility that builds the Atlas SUV and Passat sedan. The area is known for an abundance of minerals, mainly iron ore. The Chattanooga HMA has also become known as a regional center for healthcare services to southern Tennessee, northern Georgia, and northeastern Alabama. Situated near Lookout Mountain, the HMA is a regional tourist destination, with excellent opportunities for outdoor activities, including hiking, mountain biking, rock climbing, kayaking, and bouldering. In 2019, tourism had a \$1.2 billion economic impact on the Chattanooga HMA (Chattanooga Area Convention and Visitors Bureau).

Chattanooga is the fourth largest city in Tennessee and the economic center of the HMA; it is also the largest city in the HMA and is the county seat of Hamilton County. The headquarters for the Division of Power of the Tennessee Valley Authority, the largest utility company in the United States and the fourth largest employer in the HMA, is located in Chattanooga (Table 1). Chattanooga is one of the oldest manufacturing cities in the nation, and the manufacturing sector is the fourth largest nonfarm payroll sector (Figure 1). The Tennessee Aquarium, the

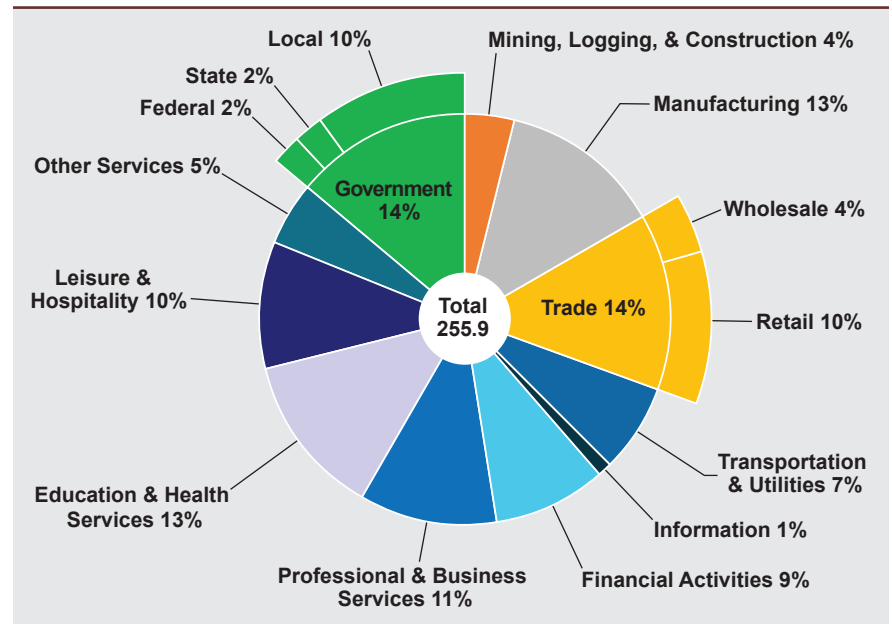
Table 1. Major Employers in the Chattanooga HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
BlueCross BlueShield of Tennessee	Education & Health Services	4,855
Erlanger Health System	Education & Health Services	4,852
CHI Memorial	Education & Health Services	3,549
Tennessee Valley Authority	Transportation & Utilities	3,431
Volkswagen Group of America, Inc.	Manufacturing	2,982
McKee Foods	Manufacturing	2,928
Unum Group	Information	2,800
Amazon.com, Inc.	Transportation & Utilities	2,518
City of Chattanooga	Government	2,217
Roper Corporation	Manufacturing	2,050

Note: Excludes local school districts.

Source: Chattanooga Area Chamber of Commerce

Figure 1. Share of Nonfarm Payroll Jobs in the Chattanooga HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding.

Based on 12-month averages through April 2021.

Source: U.S. Bureau of Labor Statistics



Tennessee Riverwalk trail, the Hunter Museum of American Art, and Creative Discovery Museum contribute to attracting people and businesses to downtown Chattanooga. The downtown area has also encouraged the development of retail shops, bars, restaurants, and apartments. It is home to AT&T Field, home of the Chattanooga Lookouts, a Double-A affiliate of the Minnesota Twins baseball team.

Current Conditions—Impacts of COVID-19 Nonfarm Payrolls

During the 12 months ending April 2021, nonfarm payrolls in the Chattanooga HMA decreased by 9,900 jobs, or 3.7 percent (Table 2), following a gain of 900 jobs, or 0.3 percent, during the previous year. By comparison, during the 12 months ending April 2021, nonfarm payrolls in the state and the nation decreased 3.6 and 5.6 percent, respectively. After COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, the state of Tennessee issued a shelter-in-place order beginning on April 2, 2020. Among other restrictions, the order resulted in the closure of all schools, restaurant dining rooms, barbershops and salons, bars, and gyms in the state; the order also required that all businesses deemed nonessential must limit their activity to minimum basic operations. Most nonfarm payroll sectors in the HMA lost jobs during the past 12 months. The largest

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Chattanooga HMA, by Sector

	12 Months Ending April 2020	12 Months Ending April 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	265.8	255.9	-9.9	-3.7
Goods-Producing Sectors	45.4	44.3	-1.1	-2.4
Mining, Logging, & Construction	11.4	11.1	-0.3	-2.6
Manufacturing	34.0	33.2	-0.8	-2.4
Service-Providing Sectors	220.4	211.6	-8.8	-4.0
Wholesale & Retail Trade	35.8	34.7	-1.1	-3.1
Transportation & Utilities	17.7	18.2	0.5	2.8
Information	2.3	2.4	0.1	4.3
Financial Activities	22.3	22.3	0.0	0.0
Professional & Business Services	27.9	27.3	-0.6	-2.2
Education & Health Services	34.8	33.7	-1.1	-3.2
Leisure & Hospitality	29.0	24.4	-4.6	-15.9
Other Services	12.4	11.8	-0.6	-4.8
Government	38.1	36.8	-1.3	-3.4

Notes: Based on 12-month averages through April 2020 and April 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

decline was in the leisure and hospitality sector, which lost 4,600 jobs, or 15.9 percent. The government sector lost 1,300 jobs, or 3.4 percent, during the same period. The transportation and utilities sector and the information sector were the only sectors to add jobs during the 12 months ending April 2021, up 500 and 100 jobs, or 2.8 and 4.3 percent, respectively. Some of these gains can be attributed to an expansion at Trident Transport, a freight broker and logistics provider specializing in handling freight, which hired 90 employees in the first quarter of 2021.

Most of the job losses occurred during March and April 2020 when nonfarm payrolls declined by a total of 30,600 jobs, or 11 percent (not seasonally adjusted). Jobs have increased since April 2020 when the shelter-in-place order was relaxed. As of May 1, 2021, 20,600 jobs have been regained, representing 67 percent of the jobs lost. Currently, nonfarm payrolls are still 4 percent below the February 2020 level.

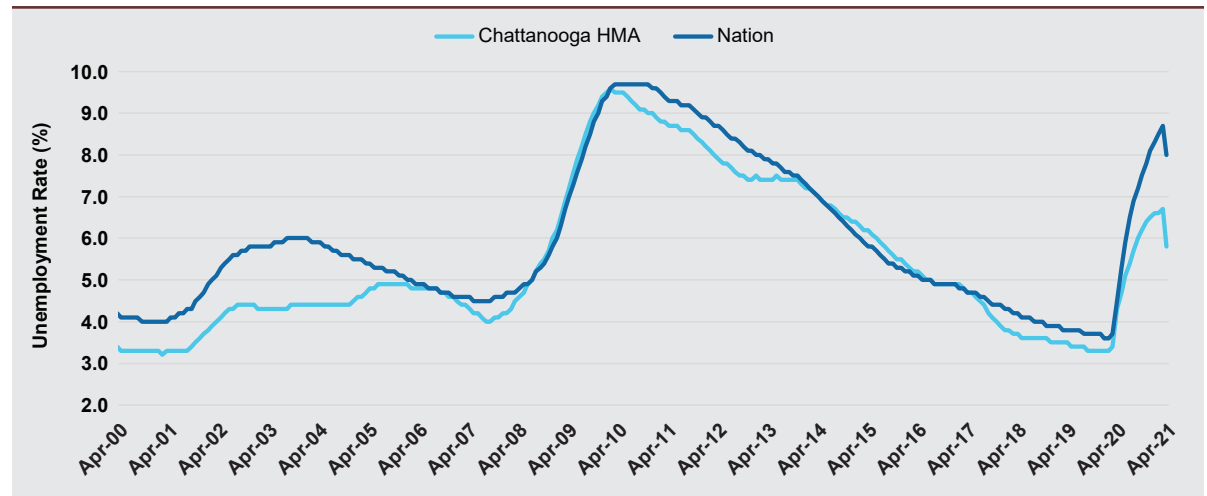
Current Conditions—Unemployment

The unemployment rate, which had reached a 12-month average peak of 9.6 percent in the HMA during early 2010, declined to a low of 3.3 percent during the 12 months ending February 2020 (Figure 2). As a



result of efforts to control the spread of COVID-19, the unemployment rate increased to 5.8 percent during the 12 months ending April 2021, up from 4.3 percent a year earlier. The rate in the HMA has been consistent with the national rate, which increased from a low of 3.6 percent during the 12 months ending February 2020 to the current 12-month rate of 8.0 percent. The national rate had reached a peak of 9.7 percent in late 2010.

Figure 2. 12-Month Average Unemployment Rate in the Chattanooga HMA and the Nation

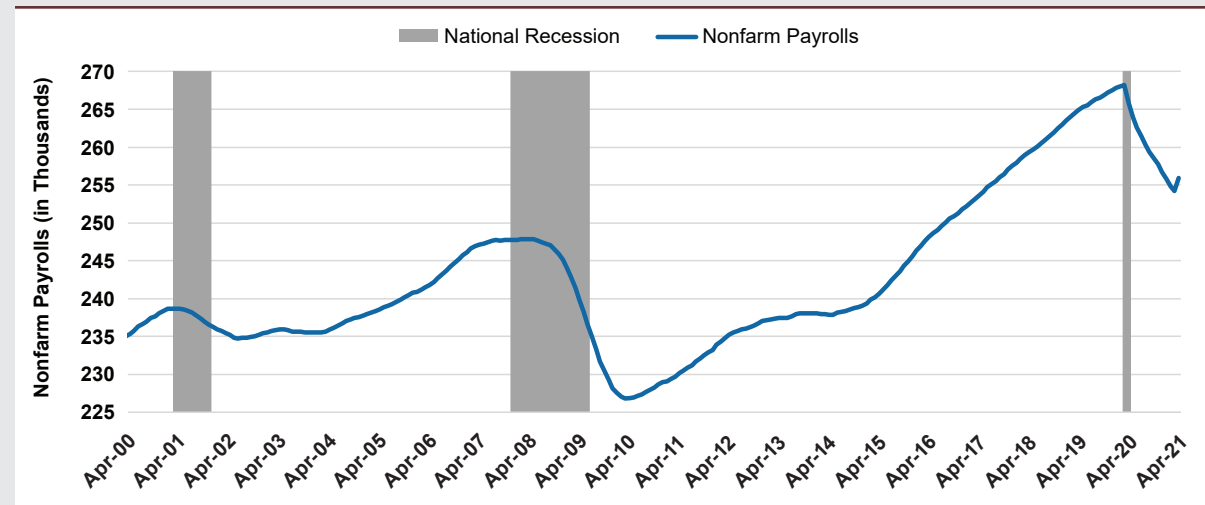


Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance 2001 Through 2002

Because of the dot-com recession, nonfarm payrolls in the HMA decreased by an average of 1,500 jobs, or 0.6 percent a year, during 2001 and 2002 (Figure 3). By comparison, the average rate of job growth was 0.5 percent for the nation during the same period. The manufacturing sector led overall job losses in the HMA, decreasing by an average of 3,200 jobs, or 7.3 percent, annually, partly because the Dupont de Nemours, Inc. plant, a chemical manufacturer, reduced its workforce by 200 employees at its Chattanooga facility. The mining, logging, and construction sector decreased by an average of 700 jobs, or 7.0 percent, annually.

Figure 3. 12-Month Average Nonfarm Payrolls in the Chattanooga HMA



Note: 12-month moving average.
Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics



Offsetting some of the losses were gains in 5 of the 11 nonfarm payroll sectors, including the government sector, which added an average of 1,100 jobs, or 3.2 percent, annually. The education and health services sector, the fastest growing sector since 2001 (Figure 4), added an average of 800 jobs, or 3.8 percent, annually during 2001 and 2002.

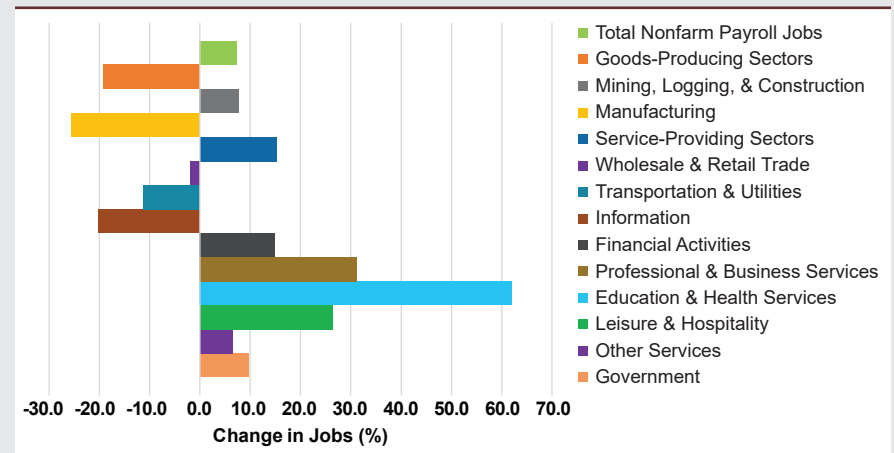
2003 Through 2007

The HMA economy expanded from 2003 through 2007, and nonfarm payrolls increased by an average of 2,400 jobs, or 1.0 percent, annually, reaching a peak of 247,700 jobs in 2007. By comparison, the average rate of job growth for the nation was 1.2 percent during the same period. During the 5-year period, the education and health services sector added an average of 1,400 jobs, or 5.6 percent, annually, the largest gains of any sector in the HMA. Economic expansion during this period was also a result of growth in the leisure and hospitality and the mining, logging, and construction sectors, which added respective averages of 900 and 400 jobs, or 4.3 percent each, annually. The transportation and utilities sector added 100 jobs, or 0.7 percent, annually during this period. In 2003, construction was started on a new building with eight floors for the Electric Power Board of Chattanooga at a cost of \$26 million.

2008 Through 2010

The HMA lost jobs at a rate generally in line with the nation as a consequence of the Great Recession during the late 2000s. From 2008 through 2010, total nonfarm payrolls in the HMA decreased by an average of 6,200 jobs, or 2.6 percent, annually, compared with the average annual loss of 2.9 percent in the nation. Jobs in 9 of 11 payroll sectors in the HMA declined or had no gains during this period. The manufacturing and the transportation and utilities sectors lost an average of 2,100 and 1,600 jobs, or 6.4 and 8.4 percent, a year, respectively. Factory closures in 2009 included Shaw Industries Group, Inc. and R.L. Stowe Mills, Inc., which eliminated 430 and 400 jobs in the HMA, respectively. The mining, logging, and construction sector lost 700 jobs annually, or 7.2 percent, which was partially due to the

Figure 4. Sector Growth in the Chattanooga HMA, 2001 to Current



Note: The current date is May 1, 2021.
Source: U.S. Bureau of Labor Statistics

reduction in both single-family and multifamily homebuilding. During the 3-year downturn, the only sectors to add jobs were the education and health services and the government sectors, which increased by an average of 700 and 200 jobs, or 2.4 and 0.7 percent, a year, respectively.

2011 Through 2016

Economic conditions in the HMA improved rapidly from 2011 through 2016, with nonfarm payrolls exceeding the prerecessionary peak in 2016. From 2011 through 2016, total nonfarm payrolls in the HMA rose by an average of 3,800 jobs, or 1.6 percent, annually, compared with an average annual growth of 1.8 percent nationwide. The professional and business services sector led job gains in the HMA, adding an average of 1,100 jobs, or 5.1 percent, annually. Convergys Corporation, a customer service and information management company, expanded and added 500 jobs in a customer care center in the HMA in 2013. The leisure and hospitality and the manufacturing sectors added an average of 800 and 600 jobs, or 3.3 and 1.8 percent, a year from 2011 through 2016. In the spring of 2014, Holiday Inn & Suites opened a new hotel

in downtown Chattanooga, which added 80 full-time positions. Vanguard National Trailer Corp., a manufacturer of semi-trailers, invested \$30 million in a new facility in the HMA, which added 400 jobs in 2015. The transportation and utilities sector added 100 jobs, or 0.5 percent, annually from 2011 through 2016. Amazon.com, Inc. announced in 2011 that it was building a third fulfillment center in the HMA, which added 1,200 jobs and was opened in 2012.

2017 Through 2019

Job growth in the HMA accelerated from 2017 through 2019 as nonfarm payrolls increased by an average of 5,300 jobs, or 2.1 percent, annually. During this same period, nonfarm payrolls in the nation increased by an average of 1.0 percent each year. The financial activities sector had the largest gain from 2017 through 2019, increasing by an average of 800 jobs, or 4.1 percent, a year. The mining, logging, and construction and the manufacturing sectors expanded by an average of 400 and 800 jobs, or

4.1 and 2.3 percent, annually, respectively, from 2017 through 2019, partially due to an increase in sales and rental homebuilding but also because of several large commercial construction projects. In 2019, Volkswagen Group of America, Inc., an automobile manufacturer, invested \$800 million in an expansion to produce electric vehicles, adding 1,000 full-time positions in the HMA. The construction of the 159-room Aloft Chattanooga Hamilton Place hotel and the 90-room boutique Edwin Hotel in downtown Chattanooga added jobs in the mining, logging, and construction sector in 2017. The transportation and utilities and the education and health services sectors added 400 and 700 jobs, or 2.2 and 2.0 percent, respectively, from 2017 through 2019. Arrive Logistics, a third-party logistics provider, announced in the first quarter of 2019 that it was expanding its Chattanooga location to create 500 jobs, which were filled by 2020. In 2017, American Family Care, which provides healthcare services, opened a new urgent care clinic, which added 20 full-time jobs.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average rate of 1.0 percent annually, with most sectors expected to add jobs. Strong job growth in the manufacturing sector is expected to continue during the forecast period. Roadtec, Inc., a manufacturer of construction machinery, announced plans in the second quarter of 2021 to expand its current facility and add approximately 30 positions in the next year. Sesé Industrial Services, a manufacturer of automotive axles, announced in 2021 that it was building a new \$42 million facility, which is expected to bring 240 new jobs by 2022. The transportation and utilities and the financial activities sectors are also expected to contribute to job growth during the forecast

period. Network Transport, which provides transportation solutions and intermodal transportation services, announced in the fourth quarter of 2020 that it would be expanding current operations and adding 80 jobs during the next year. ProNVest, Inc., an independent investment advisory firm, is expected to add 40 additional full-time positions by the end of 2021. Job growth is also expected to continue in the education and health services sector. CHI Memorial, the third largest employer in the HMA, announced in the second quarter of 2021 that it was building a new hospital in Catoosa County, Georgia. The hospital is expected to have 140 beds, along with operating rooms and emergency department bays, and is expected to be complete in 2023.



Population and Households

Current Population: 573,400

Population growth in the HMA has been steady since 2016, but the rate of growth has been below the levels before the Great Recession.

Population Trends

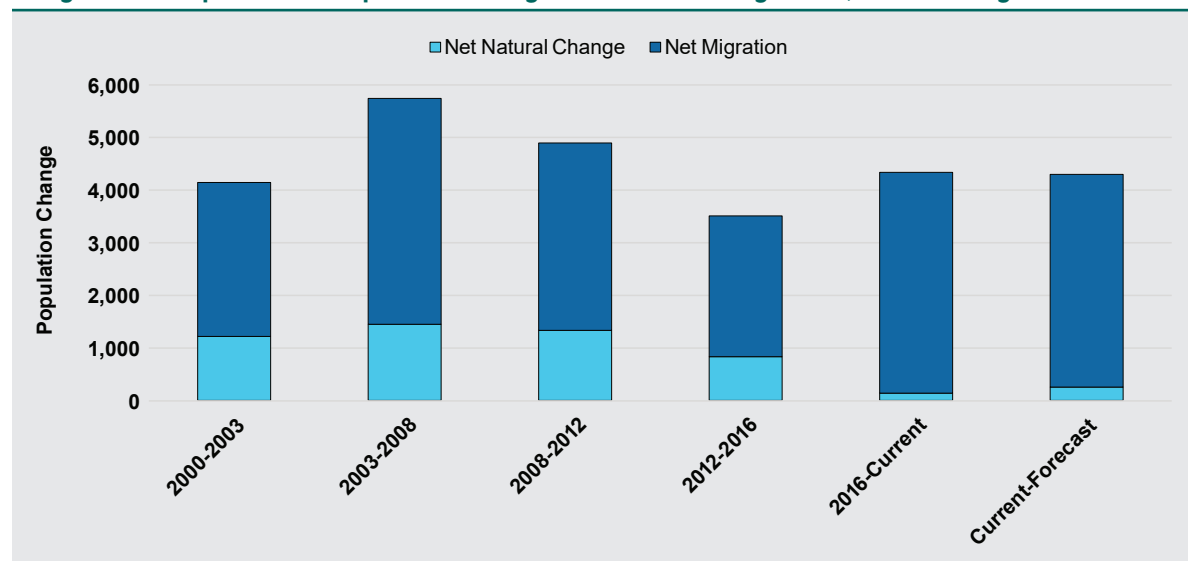
Population growth in the Chattanooga HMA has been the result of migration patterns, which followed a similar trend as the economy but lagged by a year or two. From 2000 to 2003, a period with job losses, the population increased an average of 4,175 people, or 0.9 percent, annually. Net in-migration averaged 2,925 people a year during this period, and net natural change (resident births minus resident deaths) accounted for the remaining annual increase of 1,250 people. From 2003 to 2008, in response to stronger job growth, the population of the HMA increased by an average of 5,750, or 1.1 percent, annually. Net in-migration averaged 4,300 people a year, or 75 percent of population growth during the period, and net natural change averaged 1,450 people a year. Population growth slowed during the economic downturn and the initial years of the recovery that followed. From 2008 to 2012, the population increased by an average of 4,875, or 0.9 percent. Net in-migration slowed to an average of 3,550 people a year, and net

natural change averaged 1,325 people annually. From 2012 to 2016, population growth continued to slow despite economic recovery. During the period, the population increased by an average of 3,525, or 0.6 percent, annually; net in-migration fell to 2,675 people, and net natural change averaged 850 people a year. From 2016 to current, the population increased by an average of 4,350 people, or 0.8 percent, annually, which can be attributed to an increase in jobs in the HMA. Net in-migration averaged 4,200 people, or 97 percent of the increase, annually, and net natural change averaged 150 people each year. Figure 5 shows the components of population change from 2000 through the forecast. Approximately 65 percent of the HMA population resides in Hamilton County, a proportion that has remained relatively stable since 2000.

Age Cohort Trends

Overall population growth from 2010 to 2019 was mostly the result of an increase in the retirement-age portion of the population, generally defined as residents age 60 and older. This age cohort increased by an average of 3,350, or 2.7 percent, annually (American Community Survey [ACS] 1-year estimates) during

Figure 5. Components of Population Change in the Chattanooga HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (May 1, 2021) to May 1, 2024. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

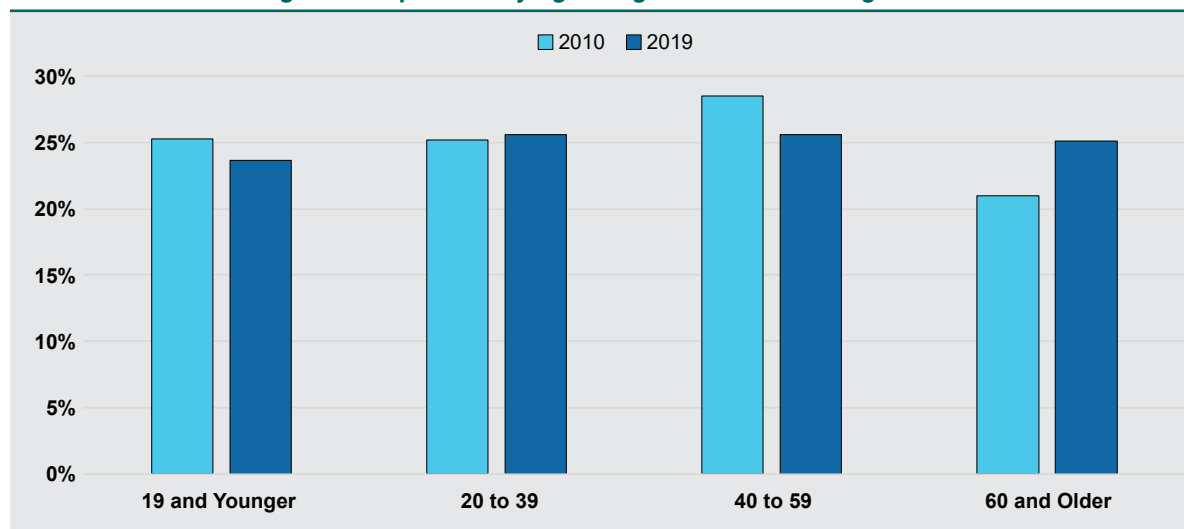


the period. Access to healthcare services attracted retirees from outside the HMA and incentivized current residents to retire in place. The rising share of residents age 60 and older, which increased from 21 to 25 percent of the population during this period (Figure 6), is partly the cause of the slowing net natural change in the HMA. From 2010 to 2019, the number of residents 19 years and younger was virtually unchanged, increasing by an average of approximately 20 people annually, or less than 0.1 percent; their share of the population dropped from 25.3 percent in 2010 to 23.7 percent in 2019. The number of residents age 20 to 39 increased by an average of 1,250 people a year, or 0.9 percent, during the same period. From 2010 to 2019, the number of residents age 40 to 59 decreased by an average of 610 people a year, or 0.4 percent.

Household Trends

As of May 1, 2021, the number of households in the Chattanooga HMA is estimated at 231,300, including approximately 149,300 owner and 82,000 renter households (Table 3). Since 2010, the number of households has increased by an average of 1,850, or 0.8 percent, annually, compared with an average increase of 2,125, or 1.1 percent, annually from 2000 to 2010. Due in part to the prolonged effects of the Great Recession, which resulted in stricter lending practices and a shift in household preferences toward renting, the homeownership rate in the HMA has been declining and is currently

Figure 6. Population by Age Range in the Chattanooga HMA



Source: U.S. Census Bureau

Table 3. Chattanooga HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	527,896	573,400	586,400
	Average Annual Change	5,125	4,100	4,325
	Percentage Change	1.0	0.7	0.8
Household Quick Facts	2010	Current	Forecast	
	Households	210,867	231,300	236,700
	Average Annual Change	2,125	1,850	1,825
	Percentage Change	1.1	0.8	0.8

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (May 1, 2021) to May 1, 2024.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

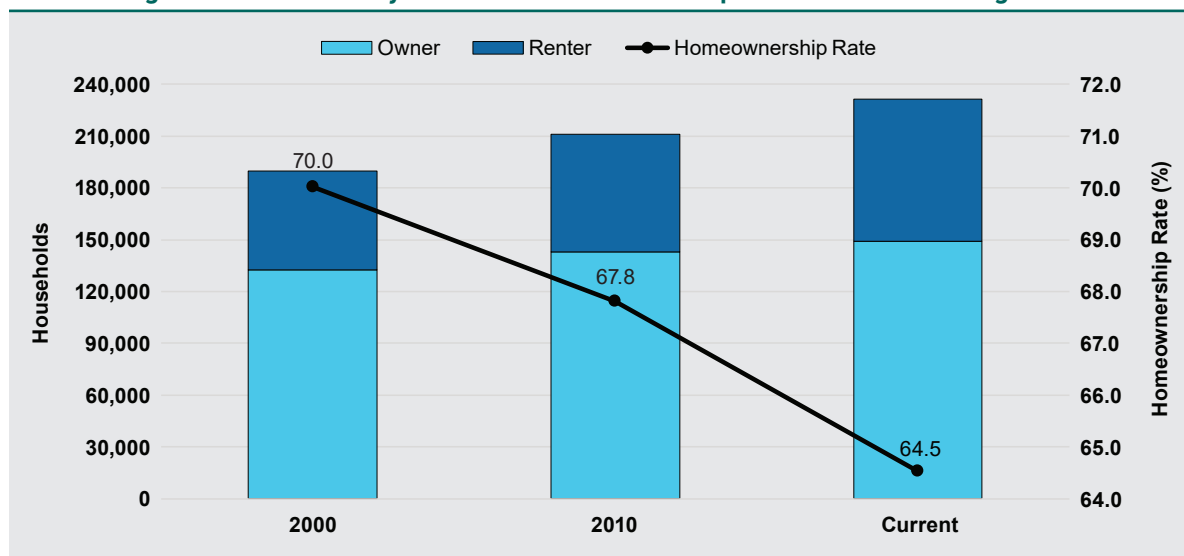
estimated at 64.5 percent compared with 67.8 percent in 2010. (Figure 7). The number of renter households since 2010 has increased by an average of 1,275, or 1.7 percent, annually, compared with an average increase of 1,100, or 0.7 percent, from 2000 to 2010. Renter households have accounted for 70 percent of household growth since 2010. By comparison, the number of owner households during

the same period has increased by an average of 560, or 0.4 percent, annually, compared with 1,025, or 0.7 percent, annually from 2000 to 2010. From 2010 to current, the average household size in the HMA has declined, partly due to a decrease in births and a greater share of elderly households, which tend to be smaller.

Population and Household Forecast

During the 3-year forecast, economic growth is expected to contribute to faster population growth in the HMA, which is estimated to average 4,325 people, or 0.8 percent, a year. The population is expected to reach 586,400 by May 1, 2024. Households are expected to increase by an average of 1,825, or 0.8 percent, annually, reaching 236,700 households by the end of the forecast period.

Figure 7. Households by Tenure and Homeownership Rate in the Chattanooga HMA



Note: The current date is May 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst



Home Sales Market

Market Conditions: Balanced

New and existing home sales increased 12 percent during the 12 months ending April 2021, and the average sales price increased 9 percent during the period (Zonda).

Current Conditions

The sales housing market in the Chattanooga HMA is currently balanced, with an estimated vacancy rate of 1.4 percent (Table 4), down from 2.9 percent in April 2010 when conditions were soft. The for-sale inventory of new and existing single-family homes in the HMA decreased from a 2.9-month supply in April 2020 to a 1.9-month supply in April 2021 (CoreLogic, Inc.). During the 12 months ending April 2021, new and existing home sales in the HMA increased 12 percent, to 12,300. During the same period, the average sales price increased 9 percent, to \$248,300, compared with the same period during the previous year. The number of sales and the average sales price are both at new record highs. New and existing home sales price growth has accelerated recently because changes in seller behavior in response to the COVID-19 pandemic have led to a reduction in the supply of homes.

New Home Sales

Trends in new home sales in the Chattanooga HMA followed the overall trends in the economy, with sales growth reflecting job trends. Approximately

760 new homes sold in the HMA during the 12 months ending April 2021, down 28 percent from the 1,050 sold during the previous year (Zonda). Currently, the number of new home sales is approximately 10 percent below the previous high of 840 homes sold during 2007 (Figure 8). New home sales decreased an average

Table 4. Home Sales Quick Facts in the Chattanooga HMA

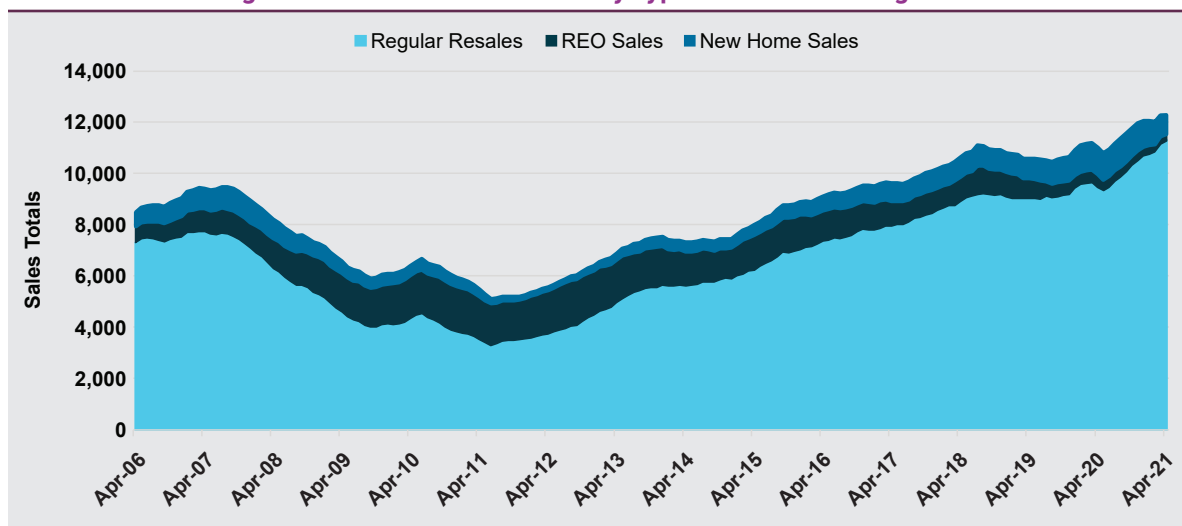
	Chattanooga HMA	Nation
Vacancy Rate	1.4%	NA
Months of Inventory	1.9	2.2
Total Home Sales	12,300	5,850,000
1-Year Change	12%	34%
New Home Sales Price	\$350,000	\$435,400
1-Year Change	4%	17%
Existing Home Sales Price	\$241,200	\$341,600
1-Year Change	13%	19%
Mortgage Delinquency Rate	3.1%	3.4%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2021; and months of inventory and mortgage delinquency data are as of April 2021. The current date is May 1, 2021.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of Realtors® and Census Bureau/HUD

Figure 8. 12-Month Sales Totals by Type in the Chattanooga HMA



REO = real estate owned.

Source: Zonda



of 22 percent, or by 65 homes, annually from 2006 through 2011; that decrease, which was largely due to the Great Recession and housing market downturn, reached a low of 120 homes sold in 2011. From 2012 through 2016, as the number of jobs in the economy was growing, the number of new home sales increased by an average of 100 homes, or 40 percent, annually, to 640 homes sold in 2016. As economic conditions continued to improve, new home sales continued to rise from 2017 through 2019. During this period, sales of new homes increased by an average of 120 homes, or 16 percent, annually, to 1,000 homes sold in 2019.

Existing Home Sales

During the 12 months ending April 2021, existing home sales (including regular resale and real estate owned [REO] home sales) totaled 11,550, an increase of 16 percent from the 9,950 homes sold during the previous year (Zonda). REO sales accounted for approximately 2 percent of existing home sales during the 12 months ending April 2021, compared with 5 percent during the previous year. Existing home sales rose to a high of 8,325 homes in 2006 before the housing crash. From 2007 through 2011, as economic conditions weakened, existing home sales declined by an average of 640 homes, or 9 percent, annually, to a low of 5,150 homes in 2011. REO sales increased by an average of 15 percent annually during the same period and peaked at 32 percent of existing home sales in 2010. In response to improving economic conditions and increased net in-migration, existing home sales increased. From 2012 through 2016, existing home sales increased to an average of 7,550 homes sold each year as nonfarm payrolls increased; during the period, REO sales decreased an average of 7 percent a year and accounted for 12 percent of existing home sales by 2016. From 2017 through 2019, as job gains accelerated, existing home sales increased to an average of 9,800 each year; simultaneously, REO sales declined at an average rate of 23 percent annually, constituting 5 percent of existing sales in 2019.

Delinquent Mortgages

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which became law during March 2020, provided mortgage forbearance for homeowners with

federally backed mortgages. The rate of seriously delinquent mortgages and REO properties in the HMA rose significantly during the past year because of an increase in delinquencies. At the same time, participation in mortgage forbearance programs by borrowers prevented foreclosures during the pandemic. From April 2020 to April 2021, the number of home loans that were 90 or more days delinquent increased more than 76 percent, largely attributed to households being unable to make their mortgage payments as a result of the significant job losses during the COVID-19 pandemic. The number of home loans in foreclosure decreased 32 percent compared with April 2020. During April 2021, 3.1 percent of home loans were seriously delinquent or had transitioned into REO status, up from 1.8 percent in April 2020 but well below the peak of 7.2 percent in January 2010 (CoreLogic, Inc.). By comparison, the negative impact of job losses on mortgagees due to the countermeasures to slow the spread of COVID-19 resulted in the national rate of seriously delinquent mortgages and REO properties rising to 3.4 percent during April 2021—up from 1.4 percent during April 2020 but lower than the 8.6-percent peak in January 2010. For context, the rate of seriously delinquent mortgages and REO properties in Tennessee increased from 1.4 percent to 3.1 percent from April 2020 to April 2021.

New Home Sale Prices

New home sales prices have increased along with sales volumes. New homebuyers have demanded larger homes with more amenities, and the rising construction levels have caused the cost of land, labor, and construction materials to rise. The average sales price for a new home during the 12 months ending April 2021 was \$350,000, an increase of approximately 4 percent, compared with an increase of 3 percent during the previous year. By comparison, in 2006, new home sales prices averaged \$226,900 but fell an average of 3 percent annually to a low of \$197,400 by 2011, when demand for homes declined because of weaker economic conditions. As economic conditions improved, accelerating population growth led to increasing demand for new homes and higher home prices. Annual price growth averaged 8 percent a year from 2012 through 2016. From 2017

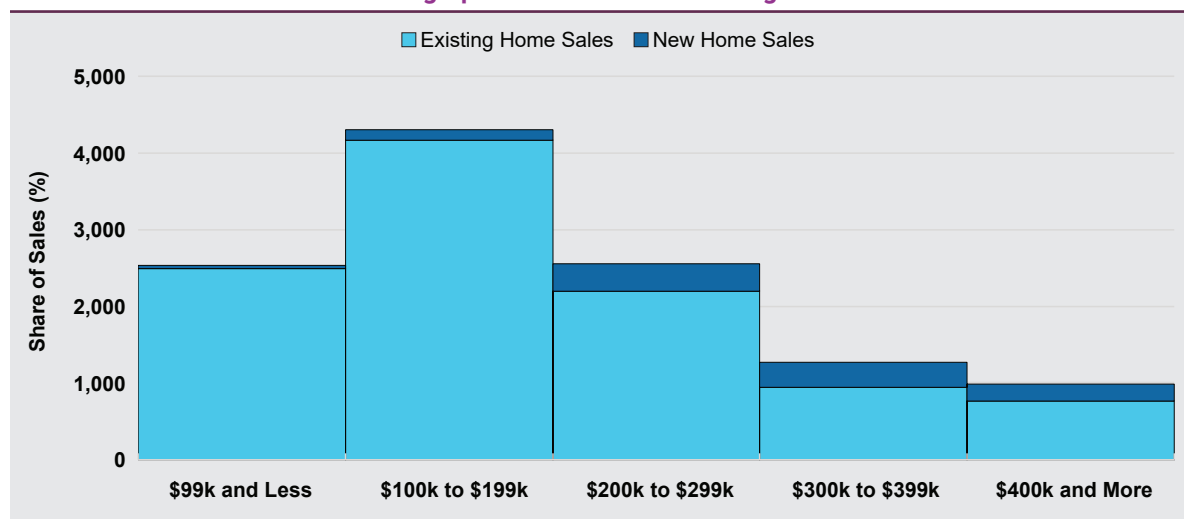


through 2019, new home sales prices continued to rise at an average of 4 percent annually, to \$336,000 in 2019. During the 12 months ending April 2021, new home sales were greatest among homes priced from \$200,000 to \$299,000 (Figure 9).

Existing Home Sales Prices

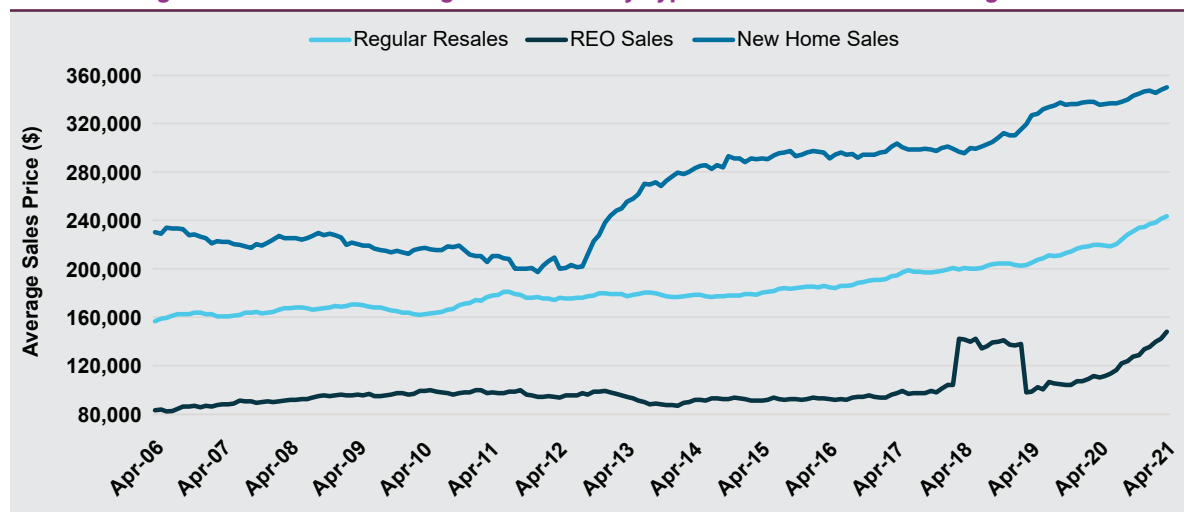
The average existing home sales price in the HMA rose every year since 2009 and is 54 percent above the peak of \$156,500 in 2006. During the 12 months ending April 2021, the average sales price of an existing home was \$241,200, up 13 percent from the previous year, compared with 9-percent price growth a year earlier. As a result of the Great Recession, demand for existing homes declined. From 2007 through 2010, the average existing home price decreased by an average rate of 1 percent annually, to \$148,300 in 2010. An increase in REO sales from 2007 through 2010, which sold at a 44-percent discount compared with the average regular resale home, contributed to declines in existing home prices. The average sales price of an REO property in 2010 was \$98,000, compared with \$171,700 for a regular resale home (Figure 10). Prices for existing homes increased an average of 3 percent annually from 2011 through 2015, to \$170,600, when economic conditions improved and the inventory of REO properties was absorbed. Existing home sales prices continued to rise from 2016 through 2019, increasing by an average of \$10,100, or 5 percent, annually, to \$211,100.

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending April 2021 in the Chattanooga HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 10. 12-Month Average Sales Price by Type of Sale in the Chattanooga HMA



REO = real estate owned.
Source: Zonda



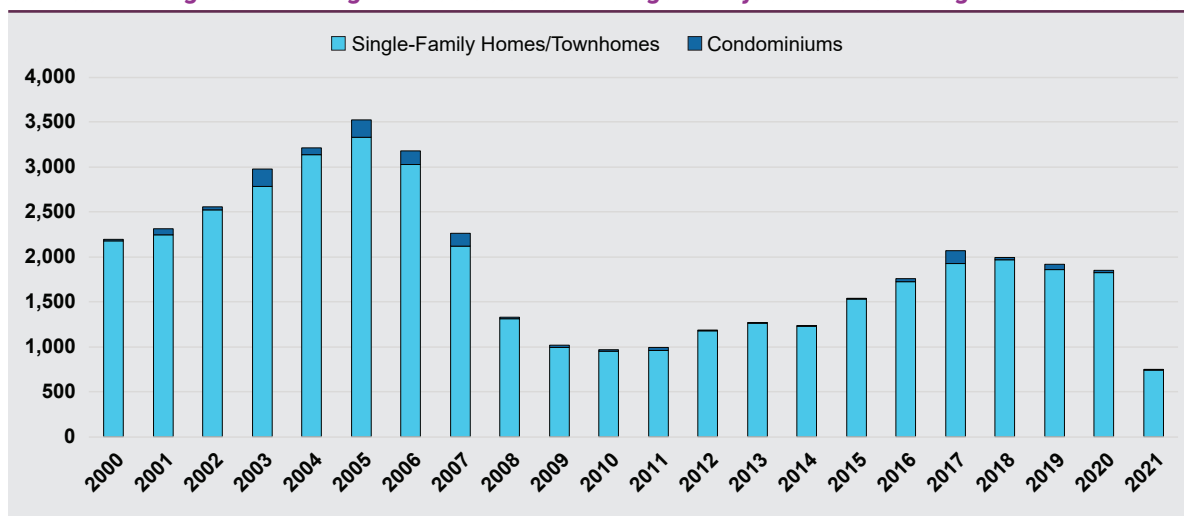
Sales Construction Activity

The current level of homebuilding, as measured by the number of single-family homes, townhomes, and condominiums permitted (see [building permits](#)), is below the high level of the early to mid-2000s (Figure 11). From 2000 through 2007, an average of 2,775 homes were permitted annually. Elevated home sales activity and rising home sales prices during the early 2000s contributed to growth in housing production during this period. From 2008 through 2012, permitting slowed, with an average of 1,100 homes permitted annually. Builders responded to improving economic conditions and rising new home sales, and an average of 1,675 homes were permitted annually from 2013 through 2019. During the 12 months ending April 2021, 1,825 homes were permitted, a 3-percent decrease from the 1,875 homes permitted during the previous 12 months (preliminary data). The construction of condominiums was more prevalent during the early to mid-2000s, averaging 110 units annually from 2000 through 2007. Since 2008, however, an average of approximately 30 condominium units have been permitted annually.

New Construction Properties

New home construction is occurring throughout the HMA. Approximately 5 miles north of downtown Chattanooga near Signal Mountain, RP Homes is developing 10 new homesites in The Oxford subdivision. Homes in the development range from 1,700 to 2,200 square feet, and list prices will range from \$311,000 to \$420,900 when

Figure 11. Average Annual Sales Permitting Activity in the Chattanooga HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2021 are through April 2021. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

complete in 2021. In the city of Fort Oglethorpe, Georgia, D.R. Horton, Inc. has 10 homes remaining for sale and 54 homes completed in the Lakeshore Cove subdivision near I-75. Homes in the development range from 1,750 to 3,450 square feet, and list prices range from \$278,900 to \$354,900. The Townhomes at Barnsley Park, in a community east of I-75 in Collegedale, Tennessee, will have 22 townhomes upon completion. Six of those townhomes have been sold, with prices starting at \$354,900, and units are between 1,850 and 2,200 square feet.

Forecast

Based on current and anticipated economic, population, and household growth in the Chattanooga HMA, demand is estimated for 5,125 new homes during the next 3 years (Table 5), with demand evenly distributed each year of the forecast. The 810 homes currently under construction are expected to meet a portion of the demand during the first year of the forecast.

Table 5. Demand for New Sales Units in the Chattanooga HMA During the Forecast Period

Sales Units	
Demand	5,125 Units
Under Construction	810 Units

Note: The forecast period is from May 1, 2021, to May 1, 2024. Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

The average market-rate apartment rent during the first quarter of 2021 was \$901, up 4 percent from a year earlier (Moody’s Analytics REIS).

Current Conditions and Recent Trends

Overall rental housing market conditions in the Chattanooga HMA are currently balanced, with an estimated rental vacancy rate of 7.9 percent, down from 10.0 percent in 2010 when the market was soft (Table 6). Since 2010, 70 percent of household growth in the HMA is attributed to an increase in renter households. The number of units added for renter use includes newly built rental units and homes that shifted from owner to renter occupancy. Single-family homes accounted for 38 percent of all occupied rental units in 2019, down from 41 percent in 2010 (ACS 1-year estimates). Increased

Table 6. Rental and Apartment Market Quick Facts in the Chattanooga HMA

	2010 (%)	Current (%)	
	Rental Vacancy Rate	10.0	7.9
Rental Market Quick Facts	2010 (%)	2019 (%)	
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38.2	
	Multifamily (2–4 Units)	17.7	
	Multifamily (5+ Units)	36.0	
Other (Including Mobile Homes)	8.1		
Apartment Market Quick Facts	2010	YoY Change	
	Apartment Vacancy Rate	6.5	0.2
	Average Rent	\$901	3%
	Studio	\$674	-2%
	One-Bedroom	\$797	0%
	Two-Bedroom	\$966	1%
Three-Bedroom	\$1,119	0%	

YoY = year-over-year.

Notes: The current date is May 1, 2021. Percentages may not add to 100 due to rounding.

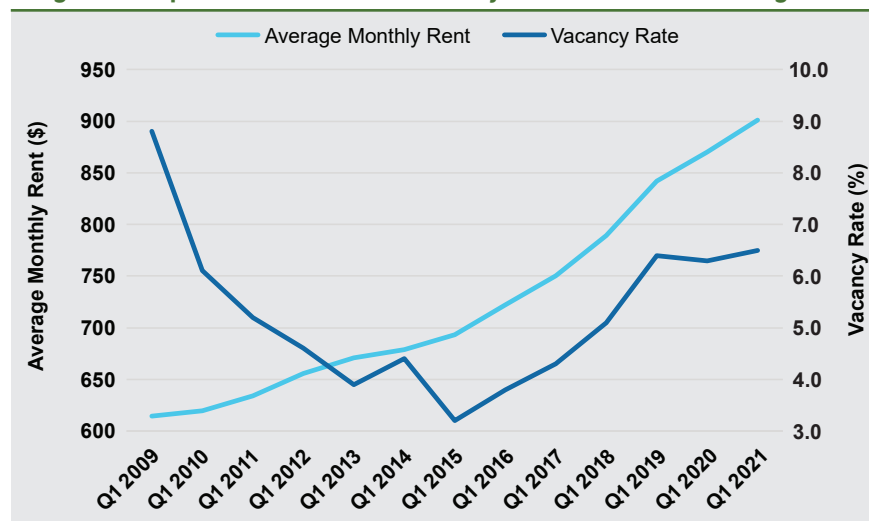
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody’s Analytics REIS

apartment construction since 2013 provided more alternatives for renters, which contributed to the decrease in the share of single-family homes as rental units. Multifamily units, in buildings with five or more units, accounted for 36 percent of rental units in 2019, up from 34 percent in 2010. Multifamily buildings with 2 to 4 units together with other rental units, including mobile homes, were 26 percent of rental units in 2019, up from 25 percent in 2010.

Apartment Market Conditions

The apartment market, which makes up approximately one-third of renter-occupied units in the HMA (2019 ACS 1-year data), is also balanced. The apartment vacancy rate averaged 6.5 percent during the first quarter of 2021, up from 6.3 percent a year earlier (Moody’s Analytics REIS). The apartment vacancy rate decreased an average of 0.6 percent points annually from 2010 to 2015. The apartment vacancy rate has trended upward since reaching a low of 3.2 percent during the first quarter of 2015 because of increased rental construction (Figure 12). During the first quarter of 2021, the average

Figure 12. Apartment Rents and Vacancy Rates in the Chattanooga HMA



Q1 = first quarter.

Source: Moody’s Analytics REIS



apartment asking rent in the HMA was \$901, up 3 percent from a year earlier and up approximately 45 percent from the first quarter of 2010.

Of the Moody's Analytics REIS-defined market areas in the HMA, the Central market area, which includes downtown Chattanooga, had the highest vacancy rate at 9.5 percent and the highest average asking rent, \$925, during the first quarter of 2021. New apartment development has been prevalent in the area since 2015, which has contributed to higher vacancy rates and rents. During the first quarter of 2021, the North market area, north of downtown Chattanooga along the I-75 corridor, had the lowest vacancy rate at 4.6 percent and an average asking rent of \$900. During the same quarter, the South market area had a vacancy rate of 5.2 percent and the lowest average asking rent of \$874. After the expiration of the federal eviction moratorium on July 24, 2020, the Centers for Disease Control and Prevention placed a temporary halt on residential evictions to prevent further spread of COVID-19. This order was overturned by the Supreme Court on August 26, 2021. The effects of the ending of all eviction restrictions on future apartment vacancy rates is uncertain.

Rental Permitting Activity

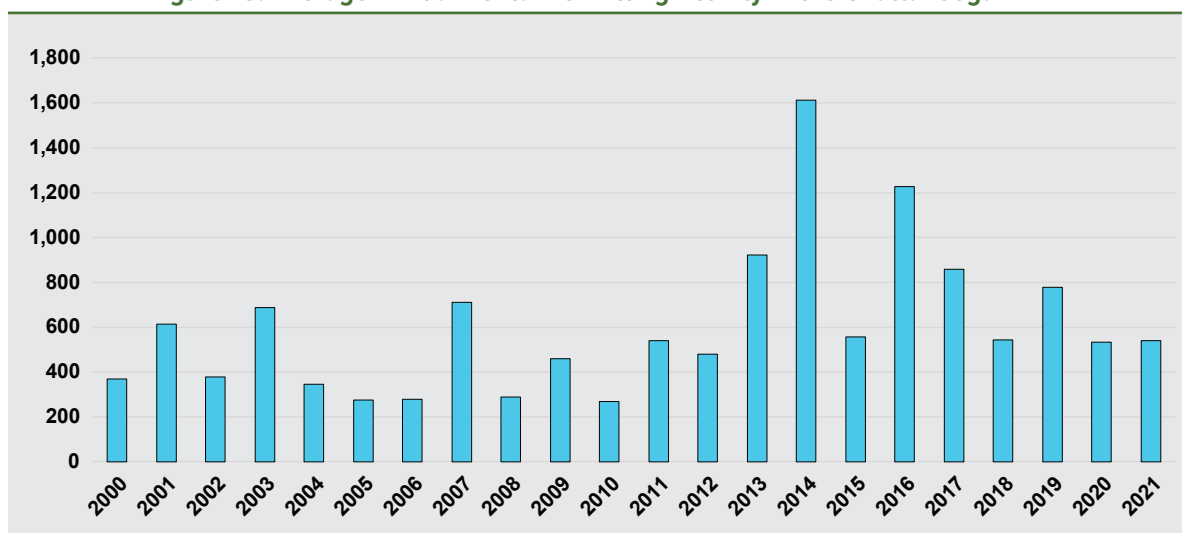
Rental construction activity, as measured by the number of rental units permitted, has been elevated during the past 7 years after several years of limited building activity following the Great Recession. A decline in the apartment

vacancy rate caused developers to increase apartment construction after economic activity in the Chattanooga HMA increased. From 2000 through 2003, an average of 510 rental units were permitted annually, before decreasing to an average of 300 units permitted annually from 2004 through 2006, the height of for-sale home construction in the HMA. From 2007 through 2013, during the sales housing market downturn, the number of rental units permitted in the HMA rose to an average of 520 units. From 2014 through 2016, rental construction activity increased further, to an average of 1,125 units permitted annually. Rental permitting reached a record high in 2014 (Figure 13). Rental permitting subsequently moderated to an average of 730 units a year from 2017 through 2019, but construction remained elevated, and the vacancy rate began to rise. In the Chattanooga HMA, 760 units were permitted during the 12 months ending April 2021, up from the 660 units permitted during the previous 12 months (preliminary estimates, with adjustments by the analyst).

Recently Completed and Under-Construction Rental Properties

Recent construction activity includes the 249-unit Riverwalk at Cameron Harbor, which was completed in 2020. This community is in downtown Chattanooga near the Tennessee River, and units range from 480 to

Figure 13. Average Annual Rental Permitting Activity in the Chattanooga HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2021 are through April 2021.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst



1,100 square feet. Rents for studio, one-bedroom, and two-bedroom units start at \$1,050, \$1,350, and \$1,825, respectively. Construction of the One Riverside, a 280-unit apartment community in downtown Chattanooga, was completed during the first quarter of 2020. The property offers one-bedroom and two-bedroom units, with rents starting at \$1,300 and \$1,850, respectively. River Rock, a 163-unit apartment community in the Arts District of downtown Chattanooga, is currently in lease up. One-, two-, and three-bedroom units range from 550 to 2,866 square feet and have rents ranging from \$1,100 to \$3,500.

Forecast

During the 3-year forecast period, demand is estimated for an additional 1,975 rental units (Table 7). The 650 units currently under construction will meet a portion of the demand in the first year. The demand is expected to be relatively stable during each year of the forecast period because renter household growth is expected to continue at a stable rate.

Table 7. Demand for New Rental Units in the Chattanooga HMA During the Forecast Period

Rental Units	
Demand	1,975 Units
Under Construction	650 Units

Note: The forecast period is May 1, 2021, to May 1, 2024.

Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Forecast Period	5/1/2021–5/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Regular Resale	Traditional home sales that include short sales but not REO sales (Zonda).
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.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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