



CHATTANOOGA

MARKET REPORT

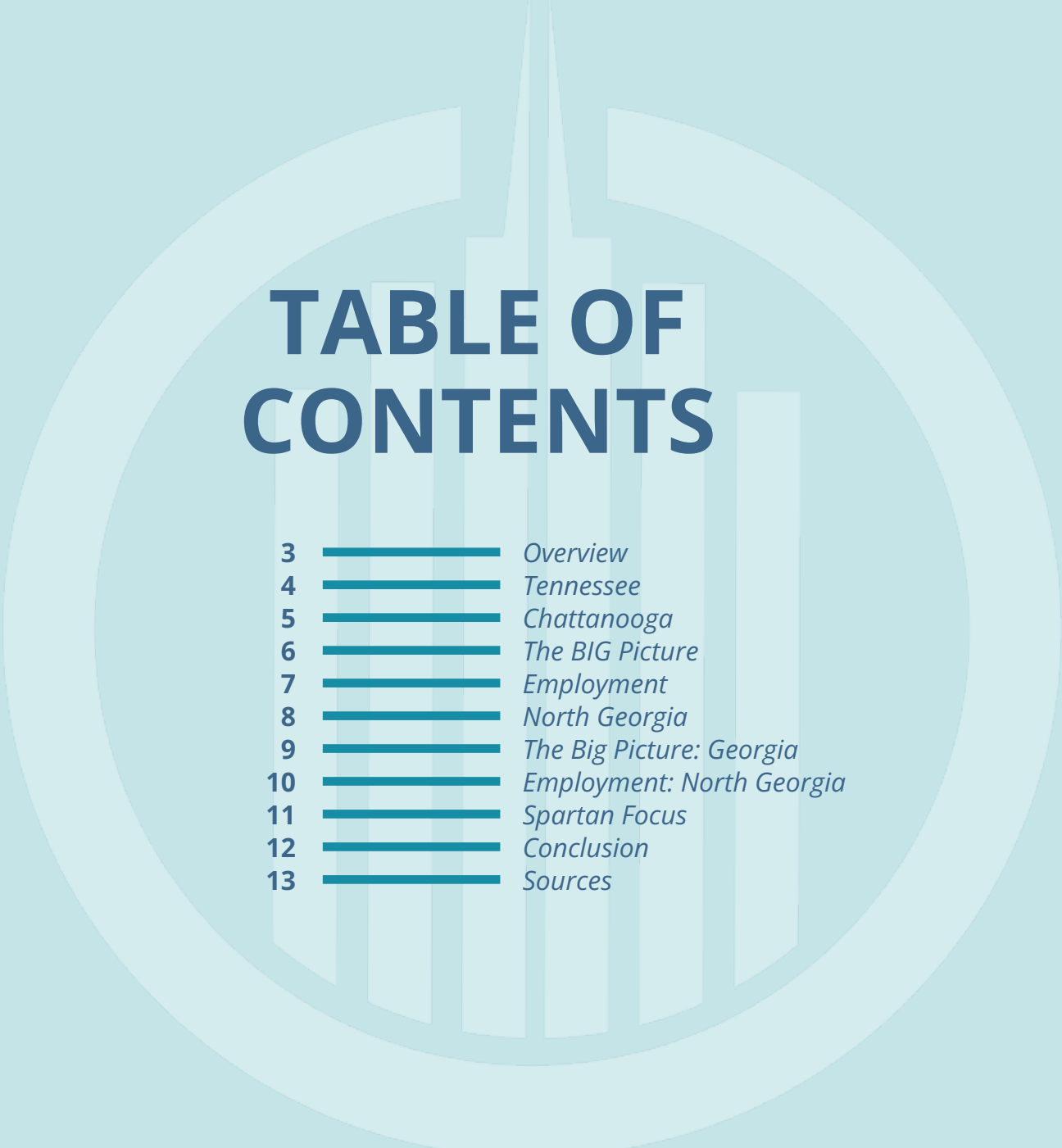


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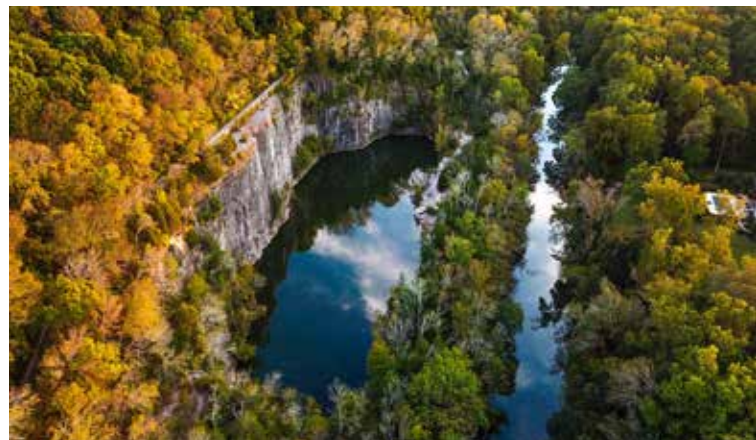
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OVERVIEW

Your choice of market is among the most critical factors that determine the success or failure of your investments in your real estate endeavors. Ideally, you want to focus on regions that boast growing, diversified economies with a business-friendly regulatory climate. We believe that Chattanooga meets these criteria, as evidenced below. Let's get into it.

Chattanooga Shines. The motto of Tennessee's 4th largest city is an excellent descriptor for the fast-growing city that sits in the Southeast corner of the state, just across the border from Georgia. Chattanooga sits on the junction of four interstate highways and the Tennessee River, making it a prime location for several industries, including manufacturing, logistics, and resource extraction outfits- among others.

The city's downtown "shines" partially as a result of a successful public/private redevelopment program and widespread civic and community engagement in the future of the city. Chattanooga helped pioneer the "citizen visioning" process which is utilized to set and meet specific long-range goals to enrich the lives of visitors and residents.



TENNESSEE

Tennessee, “The Volunteer State,” is the 36th largest by area and the 16th most populous state in the union. The state has a primarily industrial economy, including large firms engaged in the manufacture of food products, chemicals, and related products, electrical machinery, textiles and apparel, primary metals, and automobiles. Tennessee also has a long history of agricultural production, although the prominence of farm crops has taken a back seat to industrial concerns. Still, the region offers up a rich bounty of crops, including soybeans, cotton, tobacco, cattle and dairy products, and hogs.

Like the rest of the country, in 2021, the economic story in Tennessee has largely been defined by Covid-19. The pandemic has changed how Tennessean’s live, the way business operates within the state, the way workers and students perform their duties, and how residents of the state spend their money. From March to April of 2020, almost 400,000 Tennesseans lost their jobs, and the unemployment rate in the state went from a historical low of 3.3% to a record high of 15.5% in a single month.

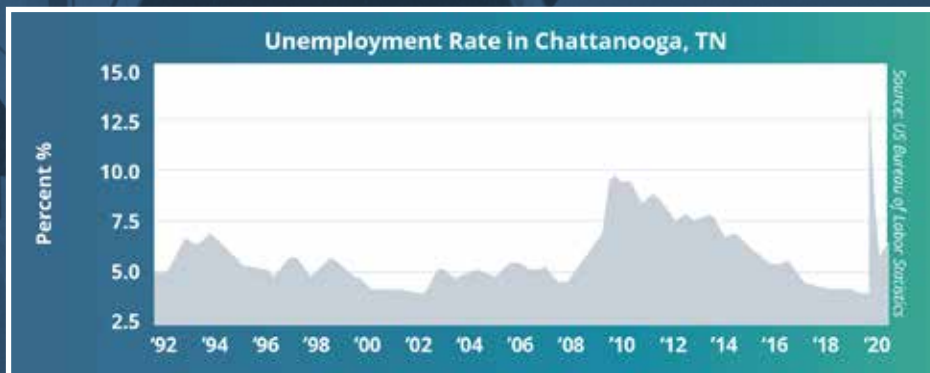
According to the [Tennessee Governor’s 2021 Economic Outlook Report](#), Tennessee added roughly 20,000 jobs per month from August to October of last year, and at the time of publishing in late December 2020, the state had a net deficit of 131,000 jobs compared to pre-pandemic employment numbers. [A survey of restaurants within the state conducted by OpenTable](#) found that upon adoption of a successful vaccination program, economic activity would resume in the state at levels comparable to pre-pandemic highs.

The Governor’s Economic Outlook Report calls for inflation-adjusted GDP, or real GDP, to contract by 3.5% in 2020, followed by stronger growth of 2.9% in 2021, and 3.6% in 2022 as the state’s economy begins to recover from the negative economic effects of Covid-19. The state will also likely see continued growth in real estate valuations, following the national trend of affordable markets seeing a substantial influx of homebuyers from more expensive areas, a phenomenon that is particularly present in the Southeastern United States. While Chattanooga has experienced some turmoil in the past year or so, they are not unique in that regard, and they are well-positioned to bounce back from the deleterious effects of Covid-19.

CHATTANOOGA

Chattanooga rests adjacent to the Tennessee River on Tennessee's southern border with Georgia, in picturesque Hamilton County. The city is the fourth-largest in the state, and is a principal city in East Tennessee, alongside Knoxville. As of 2019, Chattanooga's population sat at 182,799, with a total of 558,703 people living within the Chattanooga Metropolitan Statistical Area.

Currently, the unemployment rate in the city sits at 4.7%, 2 full percentage points lower than the **January 21 national unemployment rate**. The most common/impactful industries in Chattanooga include health care and social assistance, manufacturing, retail trade, utilities, finance and insurance, construction and extraction occupations, health diagnosing and treatment, and myriad technical occupations. The **average household income in Chattanooga is \$45,527**, and the **median household income is \$54,732**.



THE BIG PICTURE: TENNESSEE

Despite considerable economic headwinds in 2020, the local real estate market in Chattanooga remains rock-solid. According to [statistics collected by the Greater Chattanooga Realtors Association](#), as of December 2020, the region saw a 4.2% increase in closed sales, a -38.0% drop in days on market, and a 5.1% rise in new listings.

The median home sales price in Chattanooga has also shown consistent growth - from \$195,000 in 2018, to \$215,000 in 2019, and finally \$239,250 in 2020 - an 11.3% increase from the previous year. Inventory levels in the city are also dropping, to 1,197 total, a -53.1% change in a single year. The city's real estate market remains affordable, with the average home price [sitting at \\$225,000, compared to the national average of \\$284,600](#).

As is the case with most cities of its size, Chattanooga residents come from a wide range of socioeconomic backgrounds. For instance, the Ooltewah neighborhood is comprised of 38.2% renters and 61.8% homeowners, with a median household income of \$24,809, while well-heeled Ridgeside boasts a median household income of \$108,393 and is primarily inhabited by homeowners, with 88.9% of residents owning their homes, and only 11.1% of residents renting.



EMPLOYMENT: TENNESSEE

The employment picture for Chattanooga in 2020 going into 2021 is one of decline and renewal. Between February and April of 2020, the city lost 1 out of every 7 jobs, which amounts to lost jobs for 31,156 workers. However, in the following 6 months, 60% of those jobs returned - more than 25,000 of them. David Altig, Executive Vice-President and Director of Research at the Atlanta Federal Reserve, in a conversation with Chattanooga-area business leaders at the Chattanooga Area Chamber of Commerce, pegged expected economic growth in the region at 4.2% in 2021, and slightly lower in 2022, coming in at 3.2%.

Employment in the area is coming back, with jobless claims in the region falling to their lowest levels since the start of the COVID-19 pandemic. The Chattanooga Times Free Press recently reported that local employers have restored more than 88% of the jobs lost due to pandemic related issues. Additionally, the unemployment rate within the 6 counties that make up the Chattanooga metropolitan area fell half a percentage point in April, bringing it to 3.78%, which is the lowest rate since February of 2020, and significantly lower than the nationwide jobless rate which sat at 6.2% in April.

Despite a national, state, and local slowdown, several companies in the Chattanooga area are set to continue planned expansions, including Southern Champion Tray, McKee Foods, Gestamp, and others. Total planned expansions include more than 1,000 new jobs and \$676 million of new investment dollars into Hamilton County, which is a great sign for a rebound, especially when you consider that the jobless rate in the region fell to 4.3% in November, which is 2% below the US national average and 1/3 lower than the peak unemployment rate faced in February/March of 2020.



NORTH GEORGIA

North Georgia refers to the mountainous region of the north part of the State of Georgia. The region is steeped in history, from its original inhabitation by Cherokee settlers, to its prominent role as the place where many Civil War battles took place, including the Battle of Chickamauga and the Battle of Lookout Mountain. These days, North Georgia is much quieter and is a major hub for tourism with a burgeoning real estate market. These factors, combined with its relatively low barriers to entry compared to other markets makes North Georgia perfect for vacation and single-family home rental investors.

Whether it is spring, summer, winter, or fall, visitors and locals alike enjoy the immense natural beauty and idyllic way of life that's offered by the mountains and valleys of North Georgia. Real estate investors are also attracted to the region, from Chickamauga to Chatsworth, for its relatively friendly regulatory climate. Statewide, the real estate markets in Georgia are thriving, with median sales price for homes up 17% year over year, and inventory supplies down 30% in the last year, falling to just 1.4 months.

These days, particularly in the northeast portion of North Georgia, tourism sustains the local economy. This opens up numerous opportunities for investors, including single-family long-term turnkey rentals, traditional long-term single-family rentals, and notably, vacation rentals for companies like VRBO and Airbnb. Cities from Chickamauga to Rossville offer up relatively low home prices compared to other areas of the Southeast, a diverse economy buoyed by agriculture, services, and as we mentioned above and most relevant to real estate, tourism.



THE BIG PICTURE: GEORGIA

The “Peach State” has a lot of things going for it as far as real estate markets go, particularly for homebuyers looking to take their first step onto the property ladder, as well as investors looking for a way to expand their real estate portfolios while maintaining a safe level of diversity within their real estate assets. Georgia is the 8th most populous state in the country, with almost 11 million residents, and is bordered by five states- Alabama, Florida, Tennessee, and North and South Carolina.

Housing costs in Georgia are lower than the US average, giving it a leg up on comparable high-cost-of-living regions on the Eastern Seaboard. The state also benefits from low taxes, sitting solidly in the 20 lowest tax-burden states on a consistent basis- great for both families and investors.

In addition to low inventory, Georgia has seen substantial population growth over the past year, continuing a long-term trend of residents moving to the area. In the past year alone, the state gained almost 114,000 residents and is expected to grow by an additional 1.1 million by 2030. Since 2010 the population has grown by 10.6%, bringing the total number of residents in 2022 to 10.8 million, according to data from the Georgia Governor’s Office.



EMPLOYMENT: NORTH GEORGIA

In 2022, Georgia has a thriving employment picture. The state's GDP has risen roughly 49% since 2010 and now sits at almost \$623 billion. Job growth in the state was excellent when considering downward pandemic pressure on employment- the state saw a job growth rate of 1.17% and is currently ranked as the 6th best state in which to do business, according to a report from Forbes. Additionally, on the same ranking list, Georgia is #9 for a pro-growth regulatory environment and #7 in the country for a positive economic climate.

The state has a total labor force of 5.1 million alongside a 3.1% unemployment rate- close to all-time lows according to data from the Bureau of Labor Statistics. It ranks **8th** in the United States for net migration- showing that a variety of forces, from economics to culture, are making Georgia an attractive place to live. Big companies are also keen on the state, with 17 Fortune 500 companies calling it their home, including Coca-Cola, Honeywell, Suntrust Bank, Home Depot, and many more.

Atlanta is the economic hub for the state and has seen job market growth of 29.% over the last year. Future job growth within the city is predicted to hit 46.8% within 10 years, significantly higher than the US average of 33.5%. North Georgia outside of Atlanta is dominated by several industries, with Transportation and Material Moving, Production, Office and Administrative Support, Sales, Food Preparation, and Serving Related Occupations making up the majority of the region's economic base, according to data from the BLS.

SPARTAN FOCUS

Chattanooga has shown remarkable resilience in the face of current economic tides. With that being said, nothing in business or life is guaranteed, including your investments. Here at Spartan, our mission is not to provide a guarantee against the storm but to act as navigators, to help you steer your portfolio in the right direction.

You've got a limited amount of time, and that means you might not always be able to "kick the tires" when it comes to a real estate market. Our team has on the ground knowledge of markets throughout the South, and we leverage our granular understanding and experience to tell you when, where, how, and why to invest in cities like Chattanooga.

To us, Chattanooga is not just another dot on the map. It is a place we live, play, work, and visit regularly, and that firsthand know-how has helped us add some of the best B and B+ Chattanooga properties for our clients. We choose to focus on neighborhoods that offer steady growth, high rental demands, and secure and growing employment rates. 47% of all Chattanooga residents are renters, signifying that the area remains a fertile ground for the right tenant-oriented investors. Through this renter focus, Spartan aims to maximize your chance of building early equity and generating the highest return from a property sale down the line.



CONCLUSION

Chattanooga has a lot of things going for it. A diverse employment base, relatively affordable housing, and pro-business policies have led to multiple years of consistent growth within the real estate sector and the economy as a whole- with the region bouncing back from Covid-19 lows relatively quickly. For investors, the Chattanooga area remains a “diamond in the rough,” with significant upside potential, particularly due to increasing work from home trends that are driving residents out of high cost of living areas and into places like Chattanooga and many locales across the Southeast. This upside potential, along with Spartan’s guidance, may help your portfolio bounce back from 2020 and into a brighter future.

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