



# Chattanooga, Tennessee

## Market Report

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# OVERVIEW

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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

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Tennessee, known as "The Volunteer State," is a mid-sized state by land area, ranking 36th in size among U.S. states. However, it is one of the more populous states, ranking 16th in population. This means Tennessee has a higher population density than many states, reflecting its economic activity, urban centers, and appeal as a place to live and work.

Tennessee boasts a diverse economy, driven by manufacturing, agriculture, and industrial production. Key sectors include food processing, chemicals, machinery, textiles, and automobiles, while soybeans, cotton, and livestock remain vital to the state's agricultural output.

Chattanooga has mirrored Tennessee's economic resilience, with strong growth in manufacturing, healthcare, technology, and tourism. The manufacturing sector has played a crucial role in job creation and economic diversification, positioning the city as a key contributor to the state's continued expansion.

Tennessee's housing market has shown signs of improvement. In December 2024, there were 25% more homes actively for sale compared to the same month in 2023, indicating increased inventory and a potentially more balanced market. Chattanooga continues to grow alongside the state's expanding population, supporting a strong workforce and a diverse, thriving economy.



# CHATTANOOGA

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The Chattanooga Metropolitan Statistical Area, encompassing six counties across Tennessee and Georgia, had an estimated population of 580,971 in 2023. The larger Chattanooga-Cleveland-Dalton Combined Statistical Area, which includes additional counties in Tennessee, Georgia, and Alabama, reached a population of 1,003,363 in 2023.

## **Home Value Appreciation**

As of February 2025, Chattanooga's housing market has experienced significant growth. The median sale price of a home reached \$329,000, marking a 9.6% increase compared to the previous year. This appreciation aligns with national trends, indicating a robust and attractive market for real estate investors.

## **Cost of Living and Rental Market**

Chattanooga maintains a cost of living approximately 11% lower than the national average, enhancing its appeal to residents and investors alike. The rental market remains strong, with average rents increasing steadily, reflecting healthy demand for rental properties.

## **Population and Income Growth**

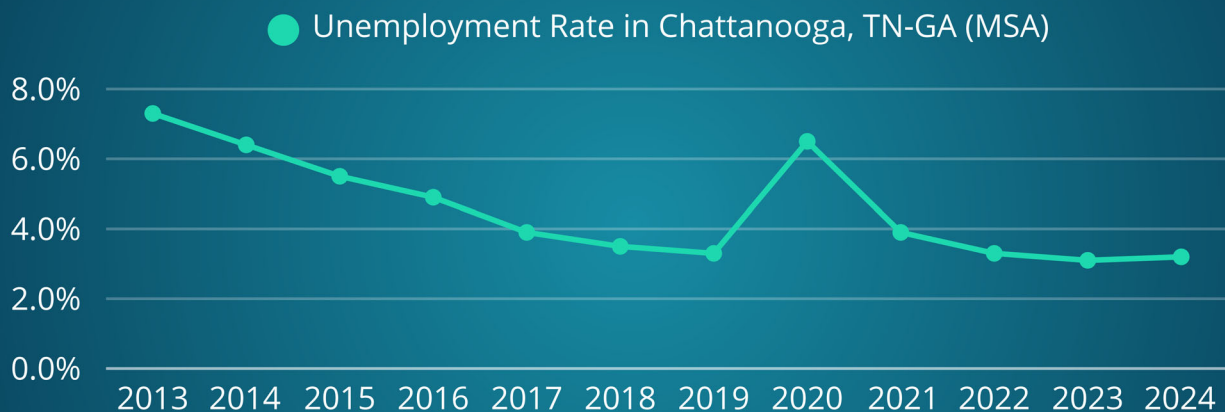
The Chattanooga metropolitan area has experienced steady population growth, with the civilian labor force reaching approximately 190,000 as of December 2024. This growth is accompanied by a strengthening economy, with average incomes in the region increasing over recent years, further enhancing the area's appeal to both residents and investors.

# EMPLOYMENT

As of December 2024, Chattanooga's unemployment rate stood at 3.4%, reflecting a stable job market. This rate aligns closely with the national average of 3.8%, underscoring the city's strong employment environment and continued economic resilience.

Chattanooga is home to several major employers that drive its economy. Volkswagen Group of America operates a major manufacturing plant, employing approximately 5,239 people and serving as a key player in the region's industrial sector. Unum Group, a Fortune 500 company specializing in insurance and financial services, further strengthens Chattanooga's corporate landscape, boasting a market capitalization of \$13.9 billion. Additionally, Astec Industries, a global leader in asphalt and road construction equipment, contributes significantly to the city's industrial workforce.

With a diverse economic base spanning automotive manufacturing, insurance, and heavy equipment production, Chattanooga continues to attract investment and skilled professionals. The city's robust job market and business-friendly environment position it as a top destination for economic growth and opportunity in the Southeast.



Source: U.S. Bureau of Labor Statistics via FRED®



# PLAN CHATTANOOGA

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Chattanooga has initiated Plan Chattanooga, a comprehensive urban development strategy aimed at guiding the city's growth and enhancing residents' quality of life. This initiative involves extensive community engagement to create detailed plans addressing various aspects such as neighborhoods, housing, commercial areas, infrastructure, transportation, parks, and natural resources. The plan is organized into eight specific area plans, each tailored to the unique characteristics and needs of different city regions.

A significant finding from the planning process indicates a projected demand for 46,000 new housing units in Chattanooga and Hamilton County over the next two decades, highlighting the city's anticipated growth and the necessity for strategic housing development.

Community involvement is a cornerstone of Plan Chattanooga, with residents encouraged to participate in shaping the city's future. Opportunities for public feedback and engagement are available through the plan's official website.



# ACTIVITIES & TOURISM

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Chattanooga, affectionately known as the "Scenic City," is a vibrant tourist destination offering a rich blend of natural beauty, cultural landmarks, and outdoor adventures. Nestled along the Tennessee River and surrounded by picturesque mountains, Chattanooga provides a diverse array of attractions catering to a wide range of interests.

Chattanooga's rich history is showcased through several key sites. The Chattanooga Choo Choo Hotel, once a bustling train station, now serves as a unique lodging and entertainment venue, preserving the city's railroad heritage. The Hunter Museum of American Art offers an extensive collection of American artworks, while the Creative Discovery Museum provides interactive exhibits for children, fostering learning through play.

Families visiting Chattanooga will find a plethora of engaging activities. The Tennessee Aquarium, located downtown, is renowned for its freshwater and saltwater exhibits, allowing visitors to explore diverse aquatic habitats. The Chattanooga Zoo offers an intimate setting to observe a variety of animal species, making it a delightful destination for younger visitors.



# SPARTAN'S FOCUS

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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. 33% of Hamilton County 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



# OUR REHAB PROCESS

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Actions are more valuable than words, especially when it comes to the renovation and rehabilitation of a turnkey property for an investor. At Spartan, we take great pride in our top-to-bottom rehab process. We're never going to sell a property that doesn't meet our rigorous standards. That means we're going to ensure that the property is somewhere we would be happy to live with our families.

Beyond outward appearance, for a home, good bones are important. It's what's on the inside that counts. And that means inside walls, inside plumbing, and inside big capital expense items.

Our team are experts at finding properties that may have seen better days, but still, have the solid bones and high-quality internal systems that provide the foundation for a low-maintenance rental investment. Then, we get to work. In addition to taking care of any existing issues with a property and updating standard cosmetic items, we execute the following rehab items in about 80% of our properties:

- New HVAC system (15-20 year life)
- New Like-Wood Vinyl Flooring (20-year life)
- Refinishing of Existing Hardwoods (8-12 year life)
- New Tin Roof (40-year life)
- New Water Heater (10-year life)
- New Granite Countertops
- New Kitchen and Bath Fixtures
- New Window Treatments
- Updated Landscaping



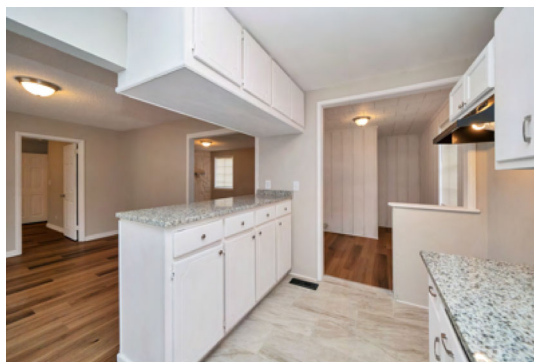
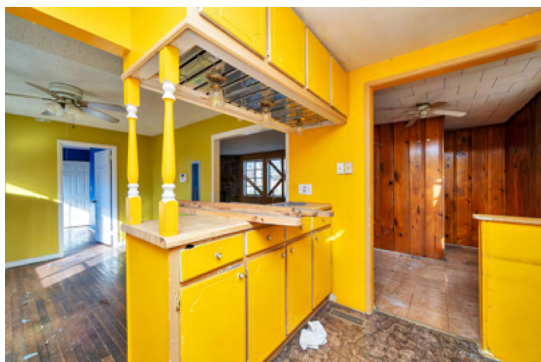
# BEFORE & AFTER

While intensive rehab work is not necessary for many of our properties, when we run into that situation we embrace it. We never shy away from stripping a property down to the studs if that's what's necessary. Our goal is to provide properties that won't require work for years to come, keeping your tenants happy and maintenance rates and costs low. Listed below are a few of our properties, both before and after our rehab team works their magic:

Before



After



# BEFORE & AFTER

Before



After





# SPARTAN - BY THE NUMBERS

While our rehab process is focused on keeping expenses down long-term, there's more to a solid rental investment than just maintenance. We take pride in our craftsmanship and attention to detail, but our white-glove property management service is the jewel in the Spartan crown. Our leasing team works tirelessly to find the best possible tenants for each property - we're not in the business of just getting bodies in the door, we want qualified tenants who will stay long after the initial two-year lease is up.

Putting in the work to find the right tenants means lower tenant turnover, fewer move-outs, and lower average move-out costs as well as minimal vacancy.

KPI's	2020	2021	2022	2023	2024
Maintenance Ratio	5.6%	5.6%	6%	6.7%	6.8%
AR Collected	95%	95.31%	93.7%	89.51%	93.4%
Days to Deposit	57	36	27	33	33
Occupancy	94.5%	95%	97%	94.1%	93.4%
Renewals	56.43%	55.98%	57.31%	59.7%	57.7%

# SPARTAN - BY THE NUMBERS

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Over the past five years, we have made strategic investments in property upkeep, balancing rising costs with smarter maintenance planning. While AR collection briefly dipped in 2023 due to market shifts, improved collection processes and tenant outreach have stabilized performance. Strong leasing and renewal strategies continue to drive occupancy and retention. To ensure long-term stability, we've streamlined deposit processing and enhanced payment tracking, improving cash flow and operational efficiency.

Once a tenant is in place, our management team makes sure rent is on time and good tenants stay content. That means taking care of any maintenance issues within 24-hours and ensuring that both investor and tenant always get what they pay for. Our proactive management ethos means that good tenants stay longer, occupancy stays up, and investor cash flow keeps rolling in month after month.

- Average First-Year Returns on Cash Purchase: **6.5-9%**
- Average First-Year Returns on Financed Purchase: **8-12%**
- Average Annual Return After 30-Year Note Pay-Off: **30-40%**

Based on average returns from real properties in our portfolio, with values from \$85-\$200k.

The result is consistent, reliable income for our investors and increasing returns year after year as tenants pay down your mortgage and build up your equity. While cash flow is king, never underestimate the power of having your tenants pay off your mortgage. Financing your purchase can double the overall return on your investment in the very first year; once that loan is paid off, your annual cash-on-cash return skyrockets.





## **CONCLUSION**

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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.



[spartaninvest.com](https://spartaninvest.com)