



MARKET AT A GLANCE



OCCUPANCY RATE **96.0%**
Down **50 bps** since 3Q18



EFFECTIVE RENT **\$947**
Up **4.3%** since 3Q18

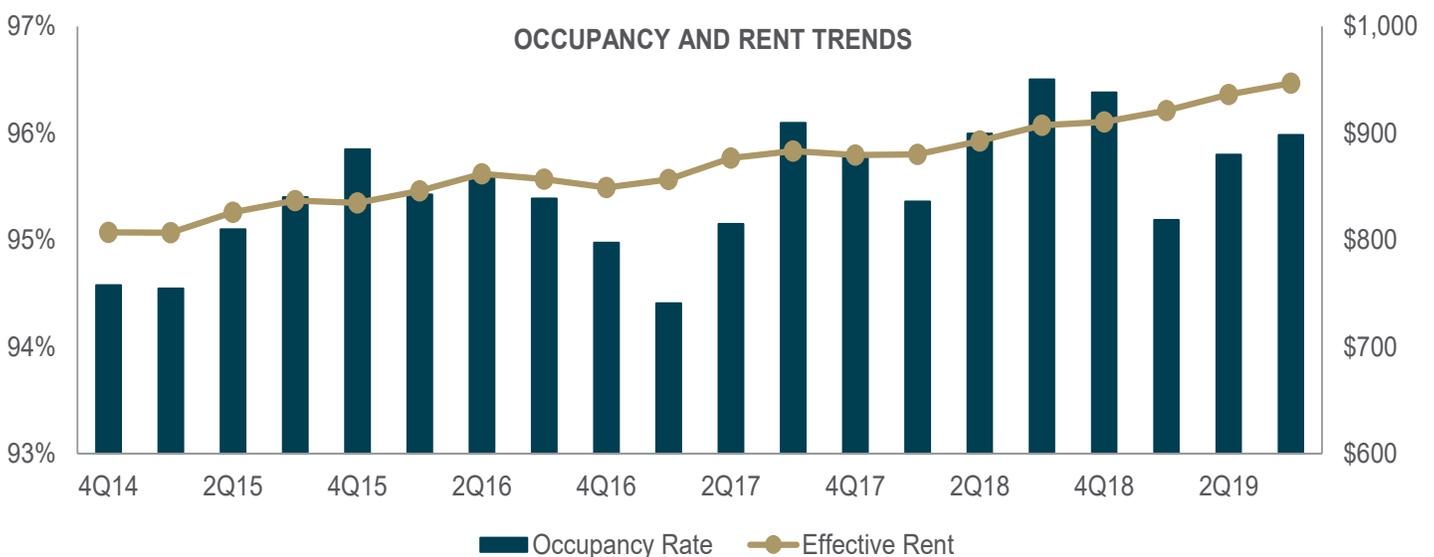


TOTAL INVENTORY **30,923**

OCCUPANCY AND RENT TRENDS

ONGOING JOB CREATION UNDERPINS STURDY APARTMENT FUNDAMENTALS

After a supply shortfall last year, multifamily builders in Chattanooga brought 702 market-rate rentals online since the third quarter of 2018. Sustained deliveries outpaced leasing activity and tamped down the metrowide occupancy rate 50 basis points annually. Even with the decline, the 96.0% third quarter occupancy rate was above the five-year average of 95.4%, as residents absorbed 428 net multifamily units over the past 12 months. The median household income in Chattanooga advanced 2.8%, providing some relief to the 4.3% annual rise in effective rent, which averaged \$947 per month at the end of third quarter. Development of the downtown urban core continues at a historic pace, supporting strong apartment fundamentals in the South Chattanooga submarket, accounting for nearly 70% of overall apartment leasing activity. New supply was skewed toward the downtown area, as developers continued to address rental demand in the area. Of note, the \$48 million mixed-use River Rock multifamily project in Downtown Chattanooga's popular Riverfront district broke ground in September 2019. Operators advanced the average monthly effective rent 3.8% annually in the South Chattanooga submarket amid occupancy of 95.8%.



CHATTANOOGA

MULTIFAMILY REPORT

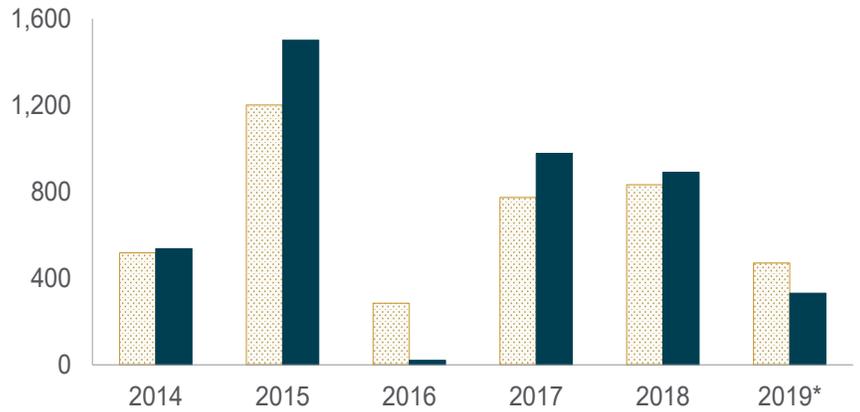
DELIVERIES AND DEMAND



DELIVERIES 471
Units YTD



NET ABSORPTION 331
Units YTD



*Year to date

■ Deliveries ■ Demand

ECONOMIC TRENDS

2018 **UNEMPLOYMENT*** 2019
3.5% **-10 BPS CHANGE** 3.4%

2018 **EMPLOYMENT*** 2019
261.9k **1.8% CHANGE** 266.7k

2018 **EXISTING SFH SALES**** 2019
9.6k **3.1% CHANGE** 9.9k

2018 **MEDIAN SFH PRICE**** 2019
\$188.0k **-0.8% CHANGE** \$186.5k

2018 **10-YEAR TREASURY**** 2019
3.00% **-130 BPS CHANGE** 1.70%

*July; **September

Employment growth in Chattanooga was steady year over year, up 1.8% annually as companies expanded their payrolls by a total of 4,800 new hires since July 2018. The primary driver of hiring in the metro was activity in the leisure and hospitality sector, expanding by 1,400 workers. The 4.7% sector growth was supported in part by the nearly 3 million tourists visiting Downtown Chattanooga each year. With around 3,500 employees, Volkswagen Group is one of Chattanooga's fastest-growing companies. Volkswagen was among the manufacturing employers adding jobs in the past 12 months, as the sector grew by 900 new workers, a 2.6% increase. In a move that will further bolster manufacturing payrolls, Volkswagen will invest \$800 million in its Chattanooga site to manufacture electric cars, creating 1,000 new jobs as well as grow its supplier base. Construction on the new facility is anticipated to begin late-2019 with the first electric car to roll off the production line in 2022. Continuous hiring led to metrowide unemployment falling 10 basis points annually, down to 3.4% in July 2019.



CHATTANOOGA

MULTIFAMILY REPORT

SUBMARKET BREAKDOWN

SUBMARKET NAME	OCCUPANCY		AVG RENT INCREASE		AVG RENT		NET ABSORPTION		DELIVERED UNITS	
	3Q18	3Q19	3Q18	3Q19	3Q18	3Q19	3Q19	ANNUAL	3Q19	ANNUAL
North Chattanooga	96.9%	96.4%	1.3%	5.5%	\$934	\$985	57	132	0	189
South Chattanooga	96.3%	95.8%	3.3%	3.8%	\$896	\$930	75	296	78	513
TOTALS	96.5%	96.0%	2.7%	4.3%	\$907	\$947	132	428	78	702



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