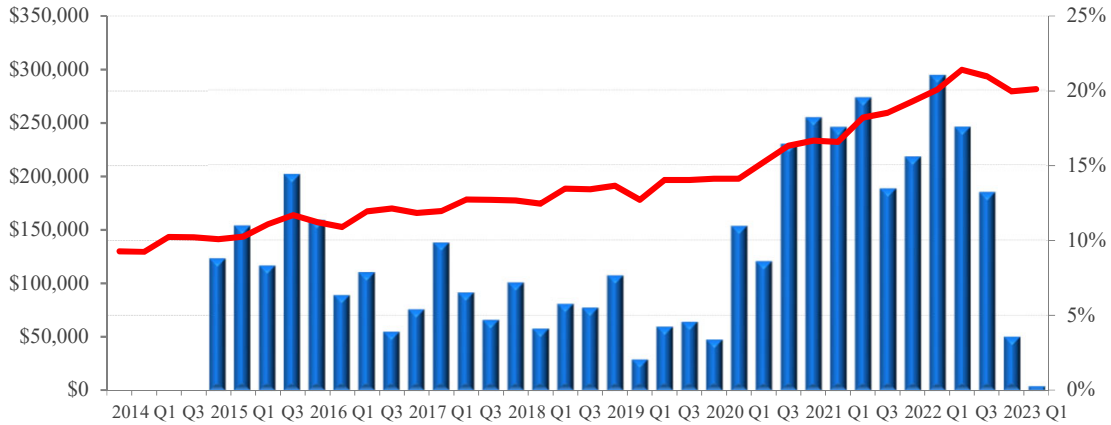


# Chattanooga Area

## Local Market Report, First Quarter 2023

### Today's Market...

**Median Price (Red Line) and One-year Price Growth**



Local Price Trends			
Price Activity	Chattanooga	U.S.	Local Trend
Current Median Home Price (2023 Q1)	\$281,800	\$366,733	Prices are up from a year ago, but price growth is slowing
1-year (4-quarter) Appreciation (2023 Q1)	0.3%	0.3%	
3-year (12-quarter) Appreciation (2023 Q1)	42.5%	34.6%	
3-year (12-quarter) Housing Equity Gain*	\$84,100	\$94,267	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	\$129,100	\$151,000	
9-year (36 quarters) Housing Equity Gain*	\$152,400	\$175,733	

\*Note: Equity gain reflects price appreciation only

	Chattanooga	U.S.	
<b>Conforming Loan Limit**</b>	\$726,200	\$1,089,300	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$472,030	\$1,089,300	
<b>Local Median to Conforming Limit Ratio</b>	39%	not comparable	

Note: limits are current and include the changes made on January 1st 2023.

#### Local NAR Leadership

The Chattanooga market is part of region 4 in the NAR governance system, which includes all of North Carolina, South Carolina, Kentucky, and Tennessee. The 2023 NAR Regional Vice President representing region 4 is Amy Hedgecock.

## Benefits of Ownership: Total Equity Appreciation

### Total Equity Accrued to Owner by Year and Quarter of Purchase



#### Total Equity Gained\*\* through 2023 Q1 from quarter in which home was of purchased

Price Activity	Chattanooga	U.S.	Local Trend
1-year (4-quarter)	\$5,467	\$7,042	Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession
3-year (12-quarter)*	\$94,784	\$108,992	
5-year (20-quarter)*	\$121,789	\$143,305	
7-year (28 quarters)*	\$149,151	\$179,328	
9-year (36 quarters)*	\$173,403	\$206,734	

\*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

# Drivers of Local Supply and Demand...

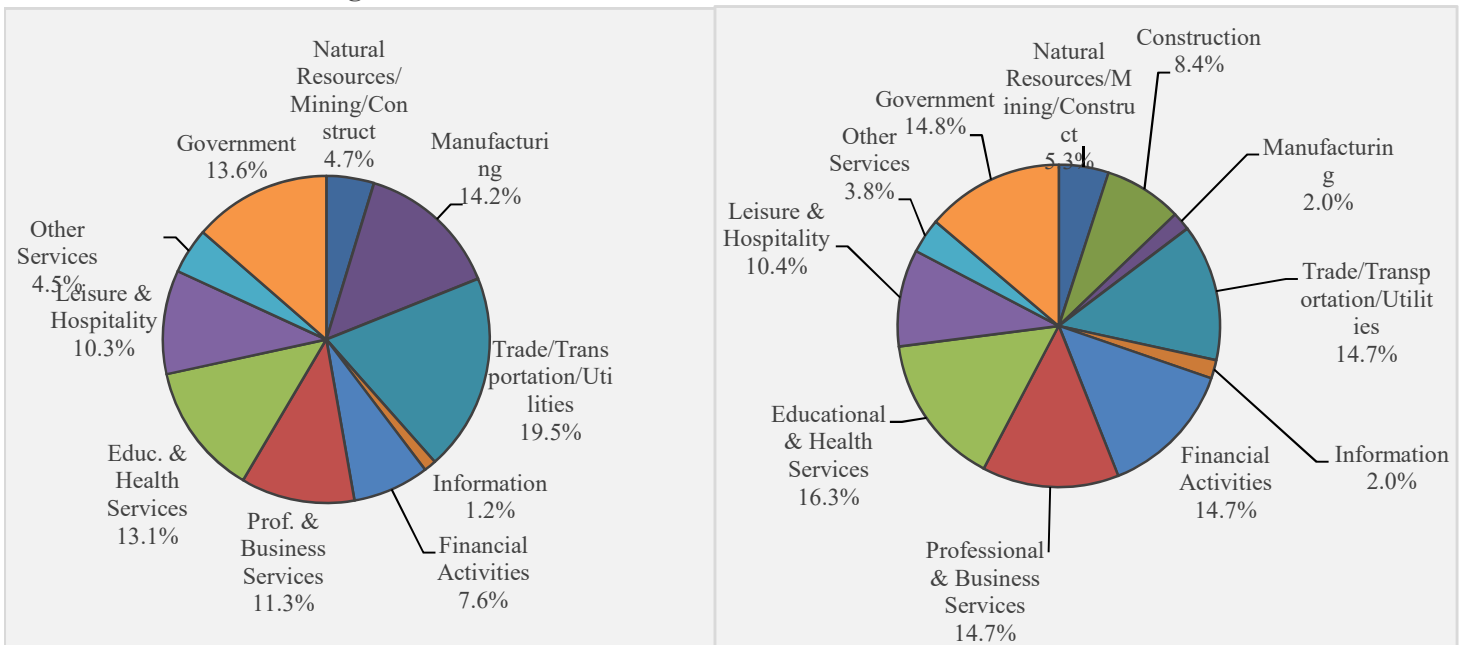


Local Economic Outlook	Chattanooga	U.S.	
12-month Job Change (Mar)	10,800	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (Feb)	10,400	Not Comparable	
36-month Job Change (Mar)	13,900	Not Comparable	Unemployment in Chattanooga is better than the national average and improving
Current Unemployment Rate (Mar)	3.0%	3.5%	
Year-ago Unemployment Rate	3.1%	3.6%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	4.0%	3.8%	

## Share of Total Employment by Industry

Chattanooga Area

U.S.



### 12-month Employment Change by Industry (Mar - 2023)

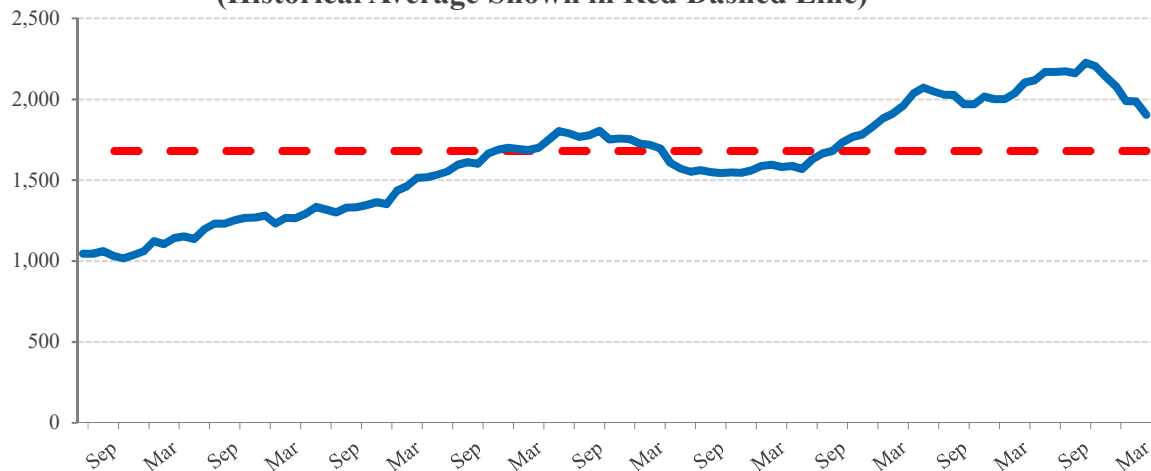
Goods Producing	NA	Information	200
Natural Resources/Mining/Construction	900	Financial Activities	600
Natural Resources and Mining	NA	Prof. & Business Services	2,000
Construction	NA	Educ. & Health Services	1,300
Manufacturing	2,800	Leisure & Hospitality	800
Service Providing Excluding Government	NA	Other Services	400
Trade/Transportation/Utilities	200	Government	1,200

State Economic Activity Index	Tennessee	U.S.	
12-month change (2023 - Mar)	3.4%	3.8%	Tennessee's economy is growing, but decelerated from last month's 3.45% change and lags the rest of the nation
36-month change (2023 - Mar)	9.2%	6.7%	

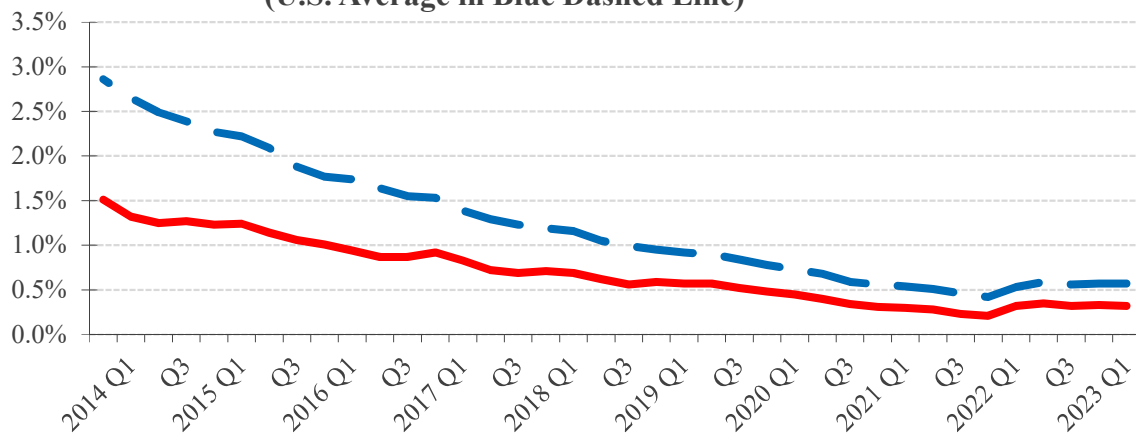
## New Housing Construction

Local Fundamentals	Chattanooga	U.S.	
12-month Sum of 1-unit Building Permits through Mar	1,904	not comparable	The current level of construction is 13.3% above the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	1,680	not comparable	Production above trend for an extended period of time could cause prices to moderate as inventory is built up.
Single-Family Housing Permits (Mar) 12-month sum vs. a year ago	-9.5%	-21.2%	Construction continues to decline from last year

**Construction: 12-month Sum of Local Housing Permits**  
(Historical Average Shown in Red Dashed Line)

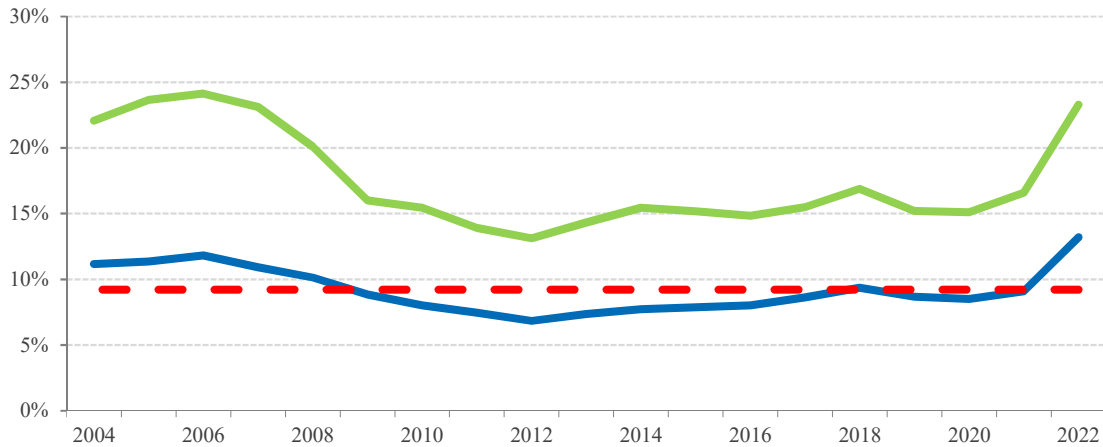


**State Total Foreclosure Rate vs. U.S Average**  
(U.S. Average in Blue Dashed Line)



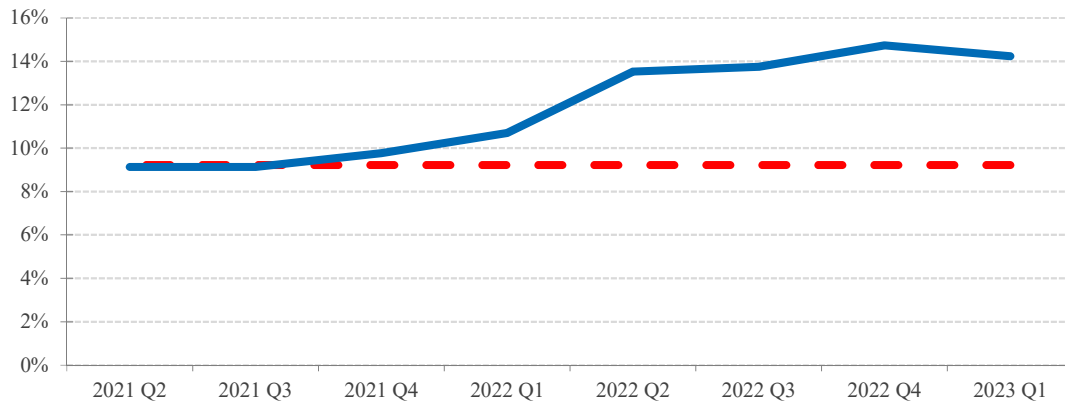
# Affordability

**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)

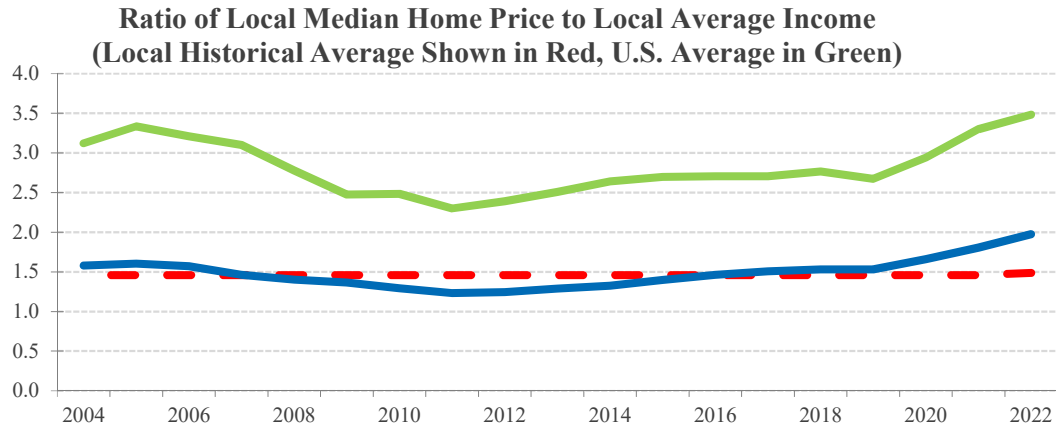


Monthly Mortgage Payment to Income	Chattanooga	U.S.	
Ratio for 2022	13.2%	23.3%	Weak by local standards and could weigh on demand
Ratio for 2023 Q1	14.2%	23.3%	
Historical Average	9.2%	17.8%	More affordable than most markets

**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Chattanooga	U.S.	
Ratio for 2022	2.0	3.5	The price-to-income ratio eased, but could be better
Ratio for 2023 Q1	1.9	3.1	
Historical Average	1.5	2.8	Affordable compared to most markets



## The Mortgage Market



After surpassing twice the 7 percent threshold at the end of 2022, mortgage rates fell in the beginning of 2023. According to the mortgage finance provider Freddie Mac, the 30-year fixed mortgage rate dropped to 6.36% in the first quarter of 2023 from 6.69% the previous quarter. Nevertheless, rates continue to be 1.7 times higher than the previous year (3.79%). Although rates will continue to fluctuate in the following months, with inflation easing further and the Federal Reserve expected to pause its rate hikes soon, mortgage rates will stabilize near 6% in the second half of the year. NAR forecasts the 30-year fixed mortgage rate to average 6.3% and 6.1% at the second and third quarter of the year, respectively.

## Geographic Coverage for this Report

The Chattanooga area referred to in this report covers the geographic area of the Chattanooga metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Catoosa County, GA; Dade County, GA; Walker County, GA; Hamilton County, TN; Marion County, TN; Sequatchie County, TN

More information on the OMB's geographic definitions can be found at [https://obamawhitehouse.archives.gov/omb/bulletins\\_default/](https://obamawhitehouse.archives.gov/omb/bulletins_default/)

