

Single-Family Rental Analysis and Forecast

December 2024 Market Fundamentals



Chattanooga, TN-GA

Analysis

Rick Palacios, Jr.
Principal, Director of Research
rpalacios@jbrec.com
(949) 870-1244

Don Walker
Managing Principal and CFO
dwalker@jbrec.com
(858) 281-7212

John Burns
CEO
jburns@jbrec.com
(949) 870-1217

Data

Erik Franks
Senior Vice President, Research
efranks@jbrec.com
(949) 870-1228



Current & Forecasted Chattanooga, TN-GA Market Conditions

Key Metrics	2018	2019	2020	2021	2022	2023	Current	2024P	2025P	2026P	2027P
Median SF Rent (Dec.) - Burns SF Rent Index™ (1)	\$1,220	\$1,247	\$1,298	\$1,386	\$1,475	\$1,644	\$1,734	\$1,748	Available with client subscription		
YOY Growth %	4.7%	2.2%	4.1%	6.8%	6.4%	11.5%	7.2%	6.3%			
Burns Home Value Index™ (Dec.-Dec.)	6.4%	7.4%	11.9%	22.2%	9.2%	7.8%	2.7%	3.0%			
Existing Median Home Price (34)	\$159,400	\$177,000	\$195,200	\$221,900	\$255,800	\$270,000	\$305,500	n/a			
Median Household Income	\$53,400	\$56,300	\$58,200	\$62,500	\$67,300	\$70,900	\$73,200	\$73,400			
S.F. Rent-to-Income Ratio	27.4%	26.6%	26.8%	26.6%	26.3%	27.8%	28.5%	28.6%			

Affordability and Rental Home-Case Study (80% of Median Price)
The following metrics are based on a theoretical home purchase. The purpose is to estimate the home payment, rents, and gross rental yield if you purchased a home equal to **80% of the median home price**. These rent and home values will not match the values above which represent the actual market median home prices and the market median rents.

	2018	2019	2020	2021	2022	2023	Current	2024P	2025P	2026P	2027P
Home Value, 80% of Median Home Price (2)	\$120,500	\$129,500	\$144,900	\$177,100	\$193,500	\$208,600	\$213,400	\$214,900	Available with client subscription		
Home Payment, 80% of Median Home Price (Pmt + Maintenance) (3)	\$945	\$944	\$967	\$1,203	\$1,670	\$1,856	\$1,847	\$1,896			
YOY Payment Growth %	11.2%	(0.1%)	2.4%	24.4%	38.8%	11.1%	(5.3%)	2.2%			
Single-Family Rent, 80% of Median Home Price (2)	\$1,285	\$1,313	\$1,367	\$1,460	\$1,553	\$1,732	\$1,826	\$1,842			
Own Payment minus S.F. Rent Gap	(\$340)	(\$369)	(\$400)	(\$257)	\$117	\$124	\$21	\$54			
Gross Rental Yield, After Prop. Taxes (4)	11.6%	11.0%	10.1%	8.7%	8.4%	8.8%	9.1%	9.1%			

(1) The Burns Single-Family Rent Index models historical and current single-family new lease asking rent trends. The index tracks the median single-family home listed for rent on the open market and represents new leases, not renewals.

(2) Comparing a market's median home price to the median rent is not an apples-to-apples comparison. To better estimate a market's gross rental yield, we collect sales data for what we believe to be an entry-level home in the market (homes that recently sold for a price equal to 80% of the market's median sales price) and then estimate what those homes would rent for. We set a point-in-time home price and rent at August 2023. We based the trend for the entry-level home price and rent on our home and rent indices. We assume the price to be for a *rent-ready* home and do not include renovation or acquisition costs.

(3) Assumes the purchase of a home equal to 80% of the market median sale price, with 5% down payment, 30yr FRM. Payment includes PITI plus mortgage insurance and annual maintenance costs. Annual maintenance costs range from 0.85% to 1.25% of the home price set in 2014 and historically adjusted for inflation.

(4) Gross Rental Yield is the quotient of one year's entry-level home rental amount (minus the property tax) and the entry-level home price.


(34) Source: JBREC Analysis of Public Records
Please note that some annual values displayed are Q4, while others may be December.

Current & Forecasted Chattanooga, TN-GA Market Conditions

Investor Insights and Occupancy	2018	2019	2020	2021	2022	2023	Current	2024P	2025P	2026P	2027P
% of Investor Sales	15.6%	14.9%	15.2%	21.1%	22.2%	21.1%	20.8%	n/a	Available with client subscription		
Home Occupancy Rate (Dec.) (9)	89.9%	89.5%	90.9%	91.2%	90.1%	90.1%	89.7%	n/a			
Demographics	2018	2019	2020	2021	2022	2023	Current	2024P	2025P	2026P	2027P
Employment Growth	2.2%	1.6%	(4.1%)	2.7%	4.8%	3.8%	2.3%	1.2%			
Household Growth	1.2%	1.1%	1.3%	1.4%	1.0%	0.2%	0.2%	0.0%			
Existing Home Sale Closings Volume (34)	10,378	10,382	11,465	13,224	11,045	9,138	9,039	9,100			
YOY Growth %	7.1%	0.0%	10.4%	15.3%	(16.5%)	(17.3%)	(2.0%)	(0.4%)			
Supply	2018	2019	2020	2021	2022	2023	Current	2024P	2025P	2026P	2027P
Single-Family Permits (12 mos.)	1,971	1,861	2,251	2,443	2,121	2,243	2,603	2,600			
YOY Growth %	2.2%	(5.6%)	21.0%	8.5%	(13.2%)	5.8%	21.6%	15.9%			
Multifamily Permits (12 mos.)	256	836	810	1,230	960	773	996	1,050			
Resale Listings (Dec.)	2,053	1,810	865	480	1,035	1,243	2,052	n/a			
Est. Months of Resale Supply (Dec.)	3.0	2.2	0.8	0.5	1.5	1.8	2.5	n/a			

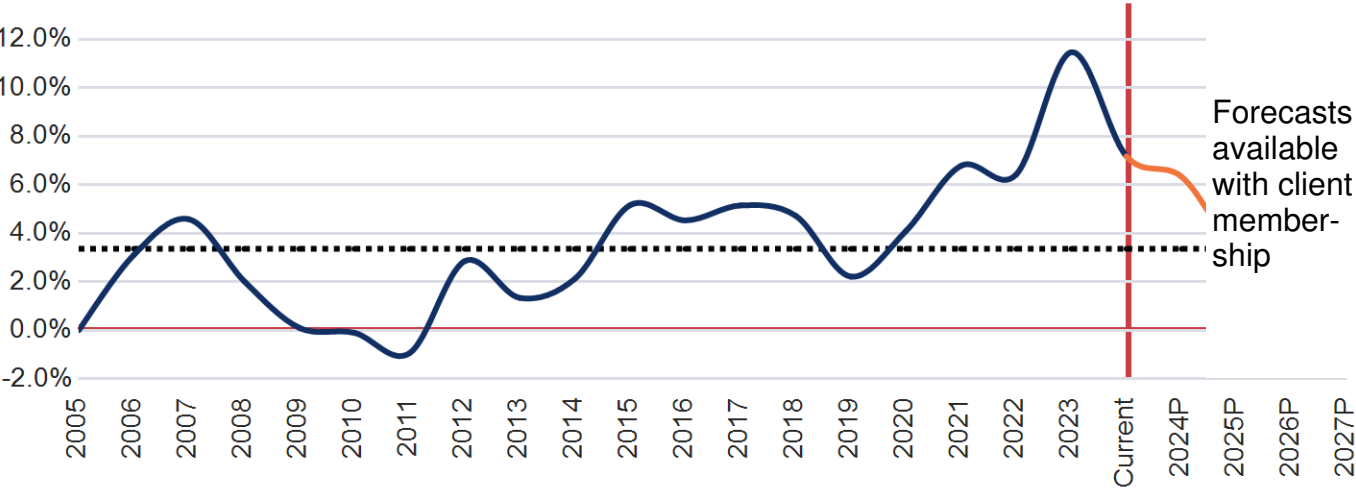
(34) Source: JBREC Analysis of Public Records

(9) Historical home occupancy data provided by:



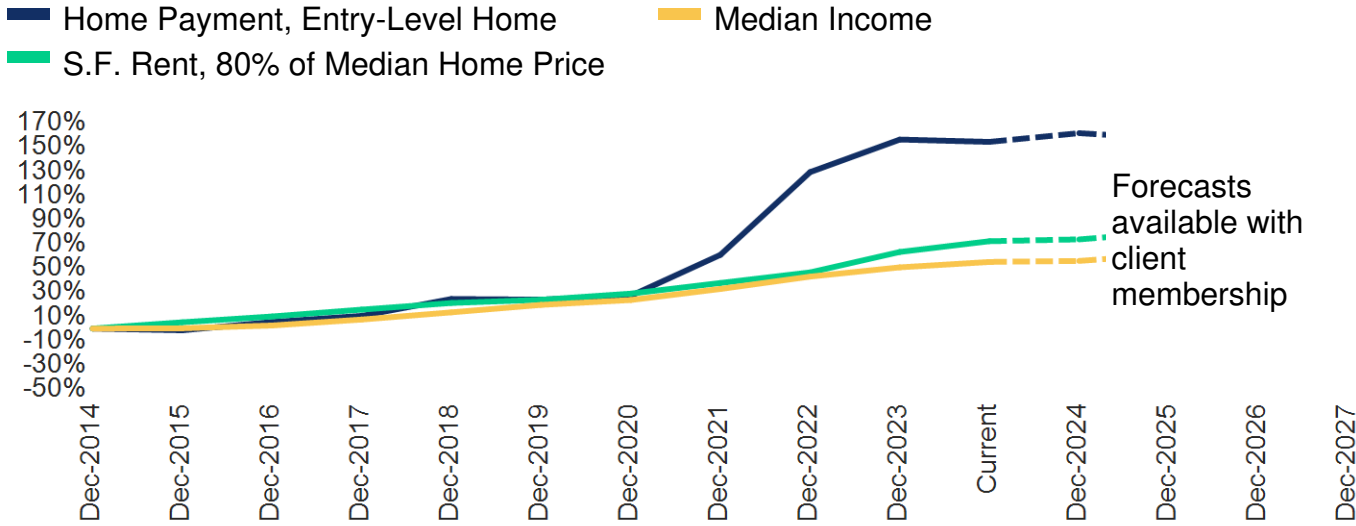
Burns Single-Family Rent Index™ (YOY %)

- - - Historical Average since 1985 = 3.4%

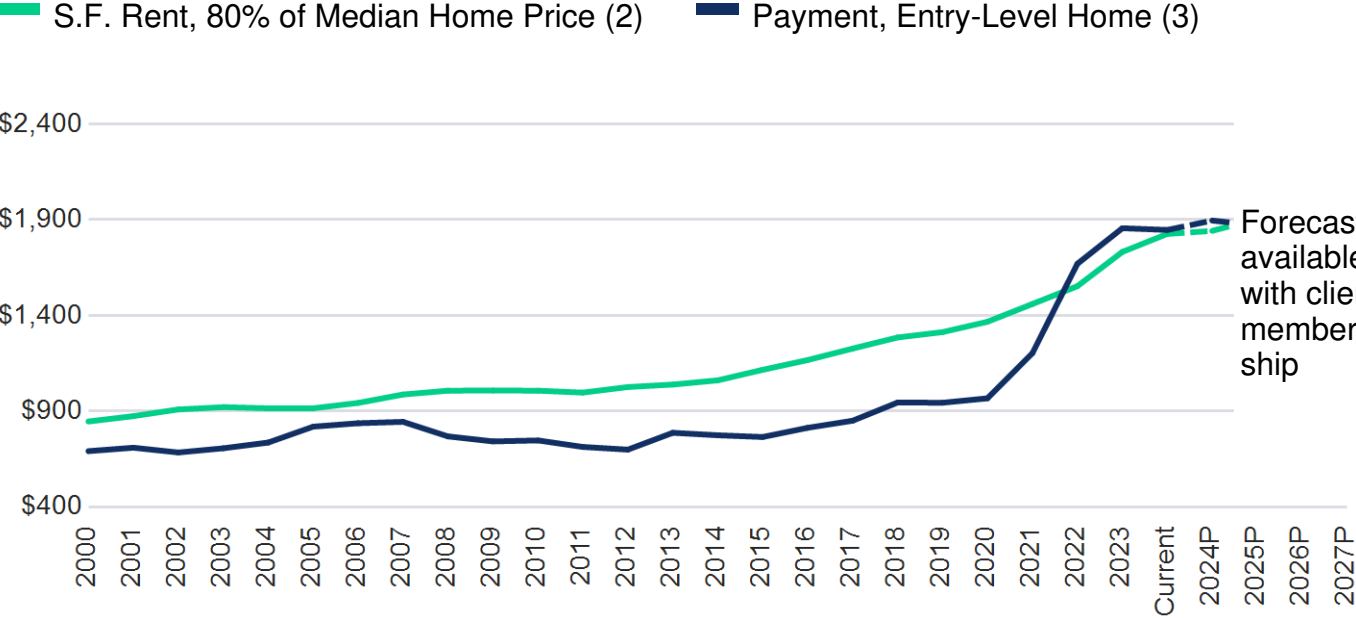


Change in Payment, Rents and Income

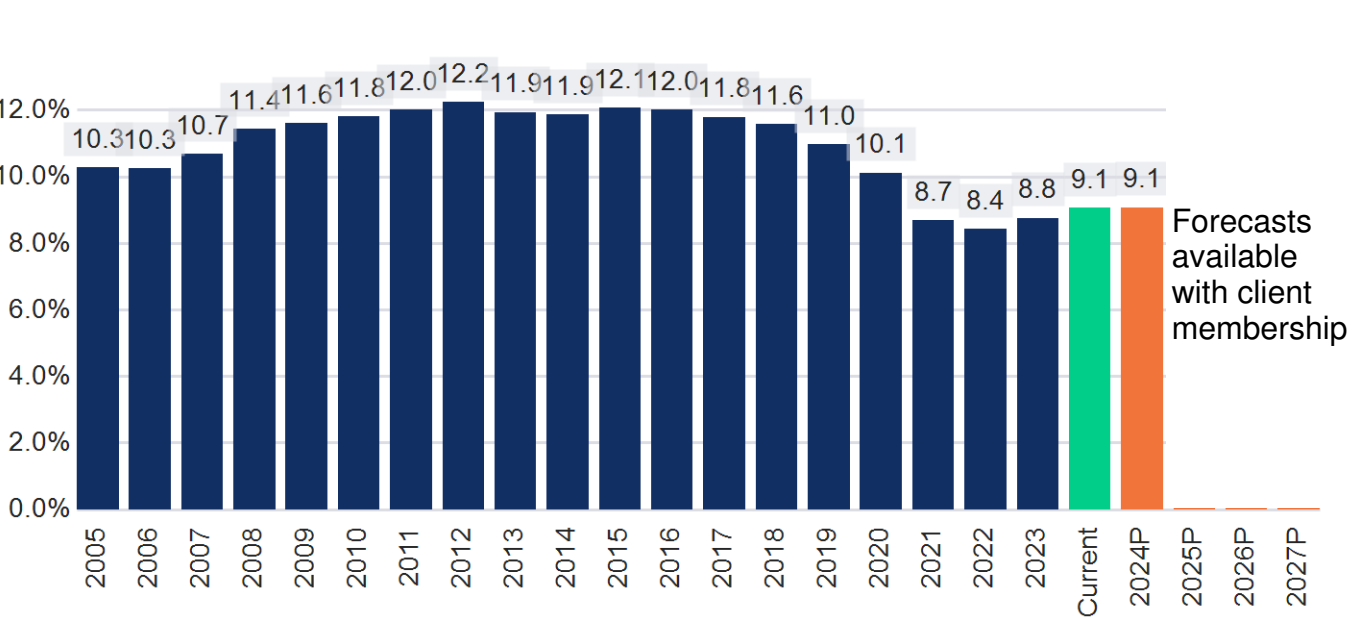
(Cumulative Growth From 2014 to Current)



Owned Housing Cost vs. Rents



Gross Rental Yield, After Prop. Taxes (2,4)

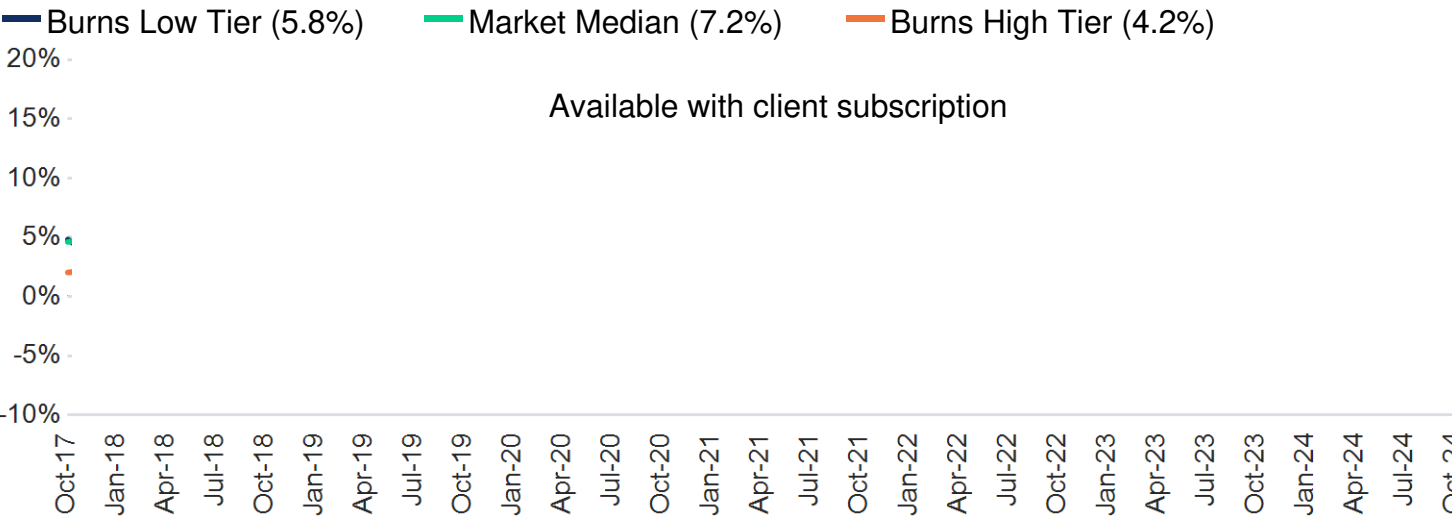


(2,3,4) See footnotes on page 1.

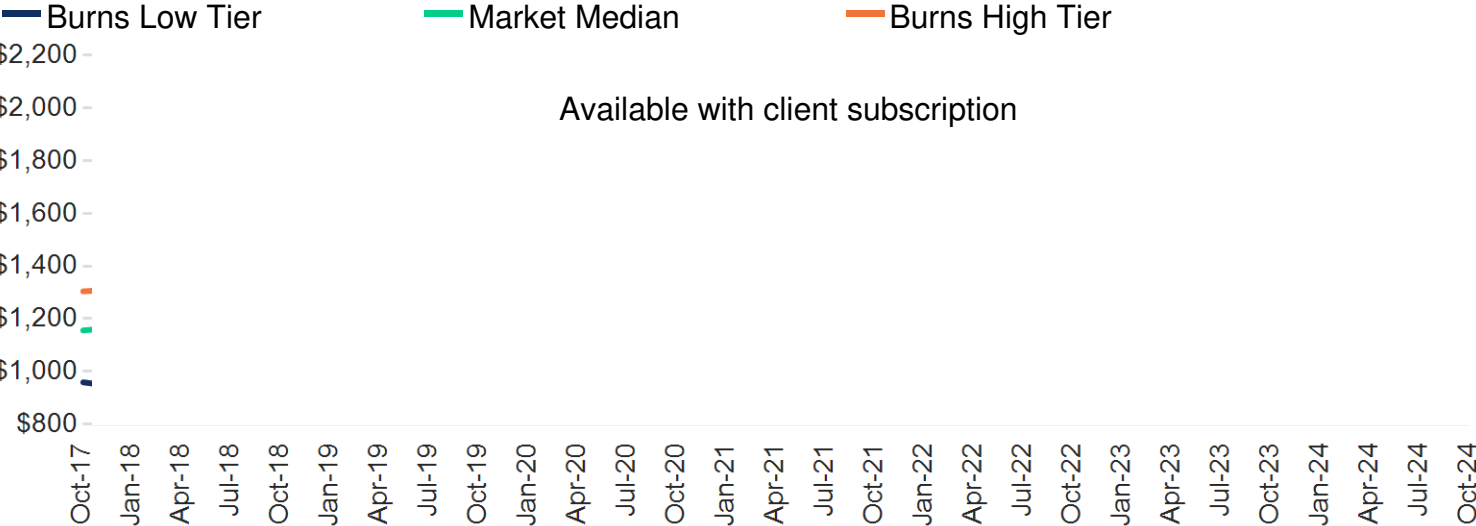
Burns Single-Family Rent Tiered Index

Analyzing rents by price tier gives a more in-depth look at the trends in three different price points. Currently, the median rent of \$1,734, is up 7.2% YOY, whereas the low tier is up 5.8% YOY and the high tier is up 4.2% YOY. See methodology notes below for additional details about the index.

Burns Single-Family Rent Tiered Index (YOY)



Burns Single-Family Rent Tiered Index



	Year End Values			Year End YOY		
	Low Tier	Median	High Tier	Low Tier	Median	High Tier
Dec-19						
Dec-20						
Dec-21						
Dec-22						
Dec-23						
Current						

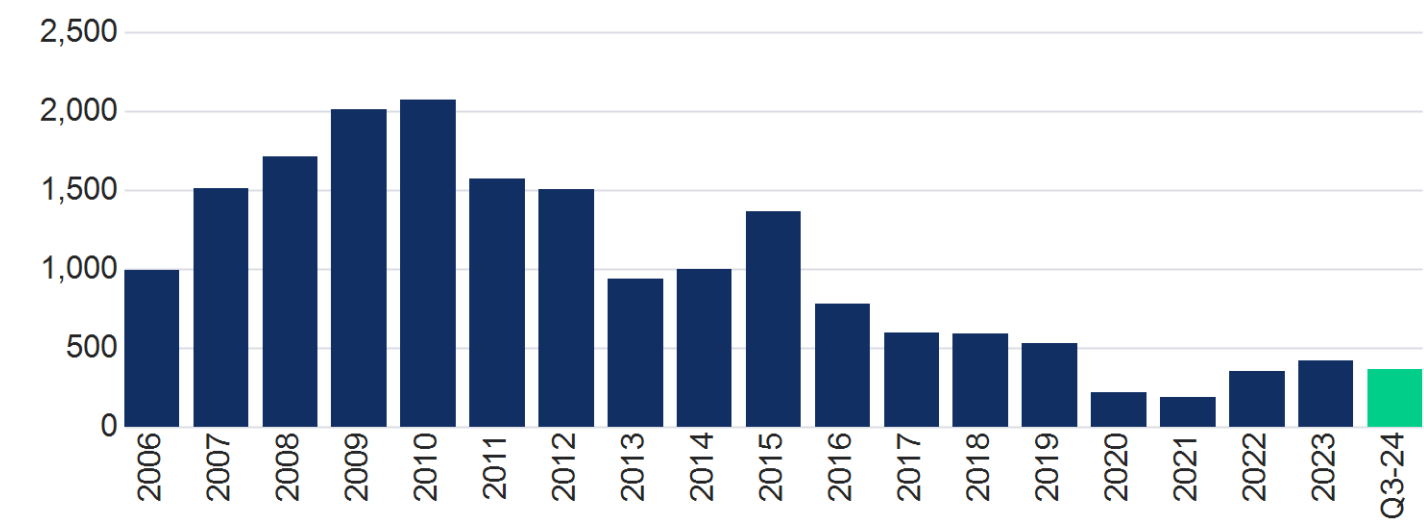
Monthly Values			Monthly YOY			
	Low Tier	Median	High Tier	Low Tier	Median	High Tier
Oct-23	Available with client subscription					
Nov-23						
Dec-23						
Jan-24						
Feb-24						
Mar-24						
Apr-24						
May-24						
Jun-24						
Jul-24						
Aug-24						
Sep-24						
Oct-24						

Methodology: Burns Single-Family Rent Tiered Index represents the 3 bedroom single family rental market. It is seasonally adjusted and smoothed to remove extreme volatility. Market Median is equal to our market median Burns Single-Family Rent Index. Burns Low and High Tiers represent the median of the bottom third of the market and the top third respectively, after trimming outliers. Some markets' history is truncated due to unreliable data, so markets may start somewhere between Jan-11 to Jan-15.

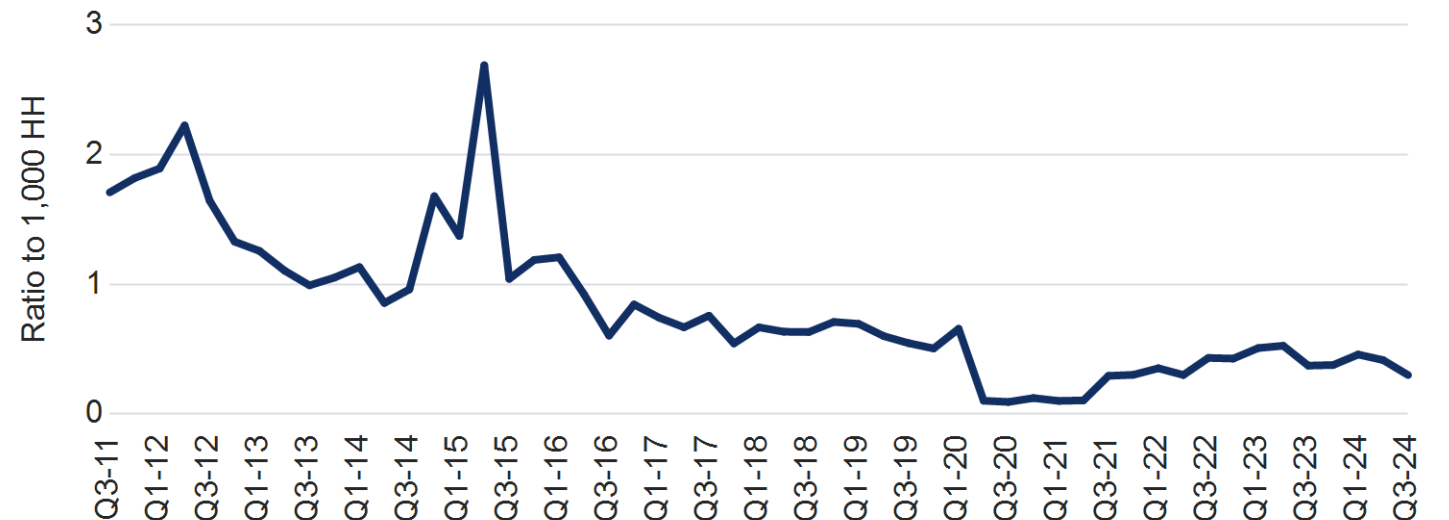
Flipped Home Transaction data not available for this market

Flipped Home Transaction data not available for this market

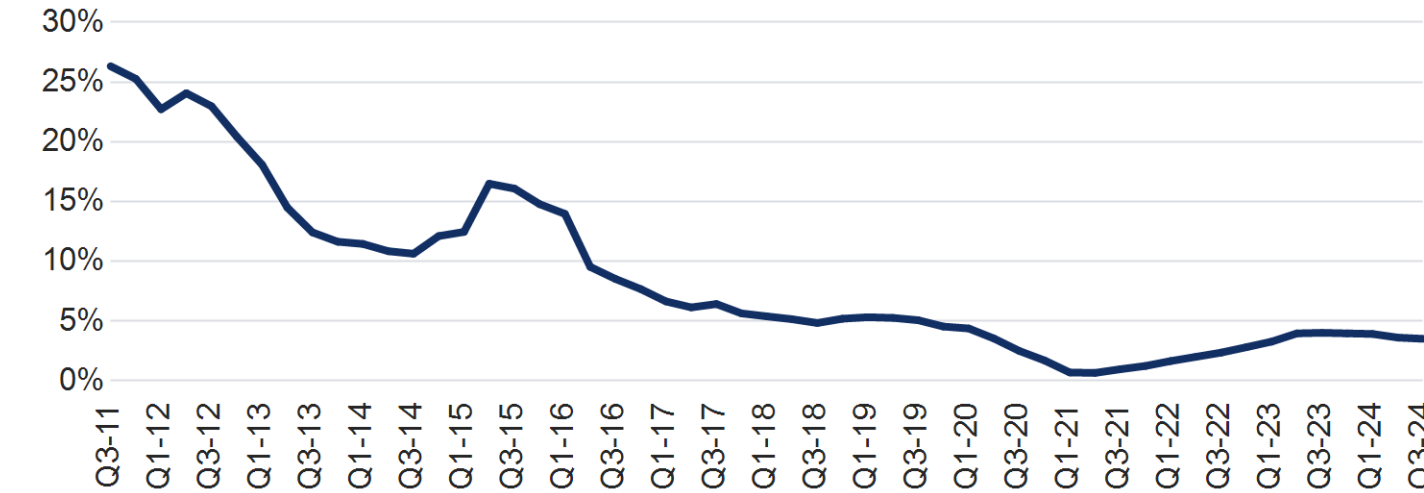
Pre-Foreclosure Notices - 12-Month Rolling Total



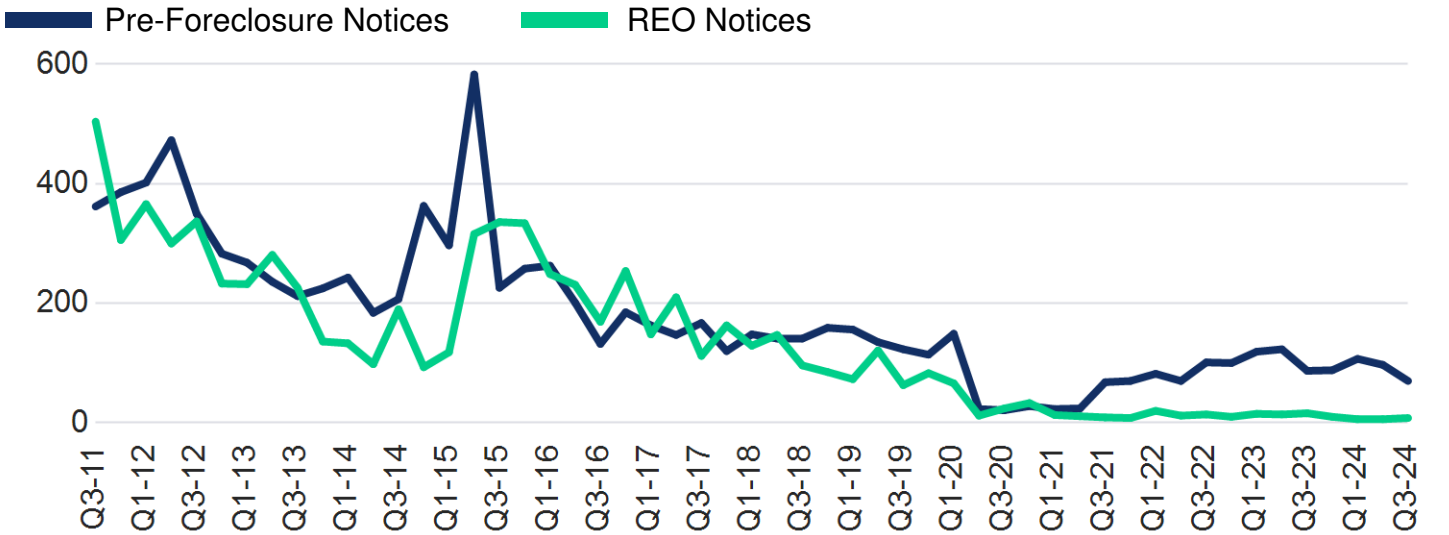
Ratio of Pre-Foreclosure Notices to 1,000 Households - Quarterly Values



Pre-Foreclosure Notices as % of Total Sale Closings* (Rolling 12 Months)



Quarterly Pre-Foreclosure and REO Notices



Recorded pre-foreclosure notices are an indicator of future home sale closings that will be distress sales, which will put downward pressure on home prices, even if the prices are very low. A rising notices-to-sales ratio is a possible indicator of softening home prices.
*Total Sales includes New and Resale Sales
Sources: RealtyTrac, JBREC Analysis of Public Records, JBREC estimates

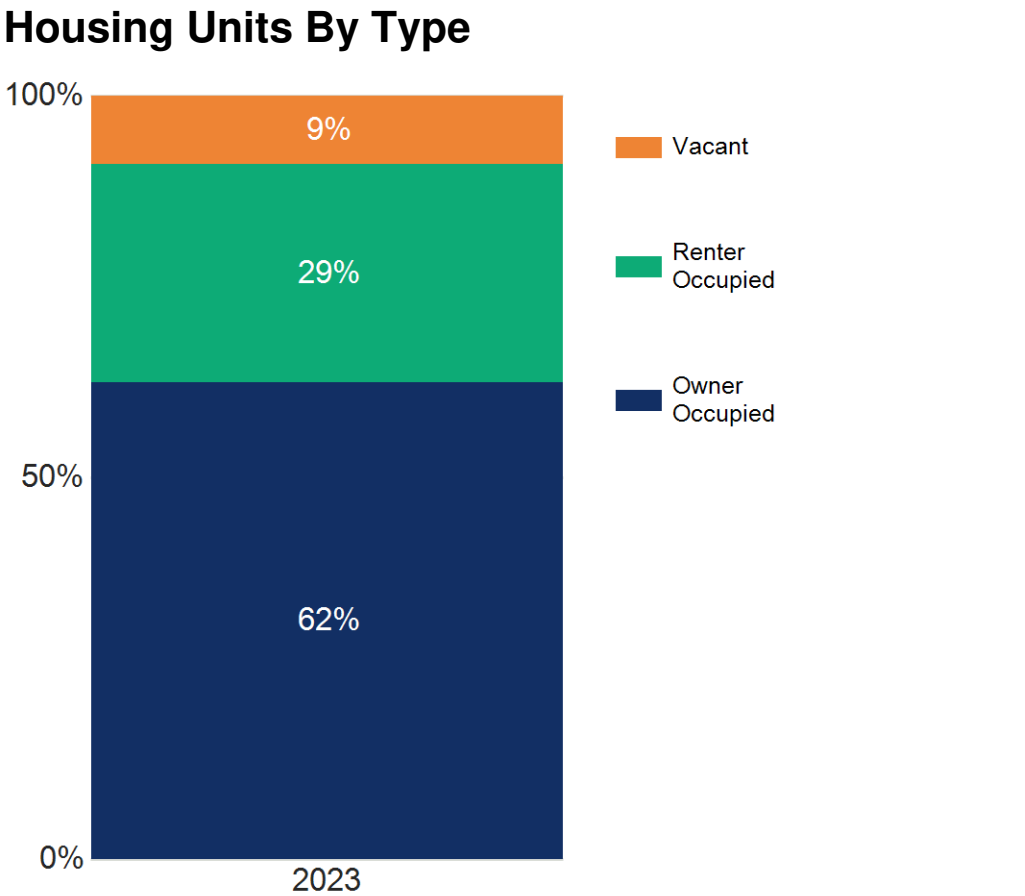
Housing Stock Composition: 2023 American Community Survey (ACS) by the U.S. Census Bureau

Chattanooga, TN-GA is the #108 ranked market for total housing stock, and ranked #112 for total renter-occupied single-family homes.

	Total Housing Stock (HS)	Owner-occupied	Renter-occupied	Vacant
# Units	258,219	161,221	73,782	23,216
% of Total HS		62%	29%	9%
US Rank	108	105	108	104
Owner/Renter-ship Rate		69%	31%	

Details				
1-unit, detached	178,390	141,091	22,695	14,604
1-unit, attached	9,258	6,010	3,191	57
2-units	8,983	602	7,633	748
3 or 4 units	6,356	772	4,435	1,149
5 or more units	34,931	617	30,034	4,280
Other*	20,301	12,129	5,794	2,378

Owner-Occupied Homes	
Mortgage Status	
% with	57%
% without	43%



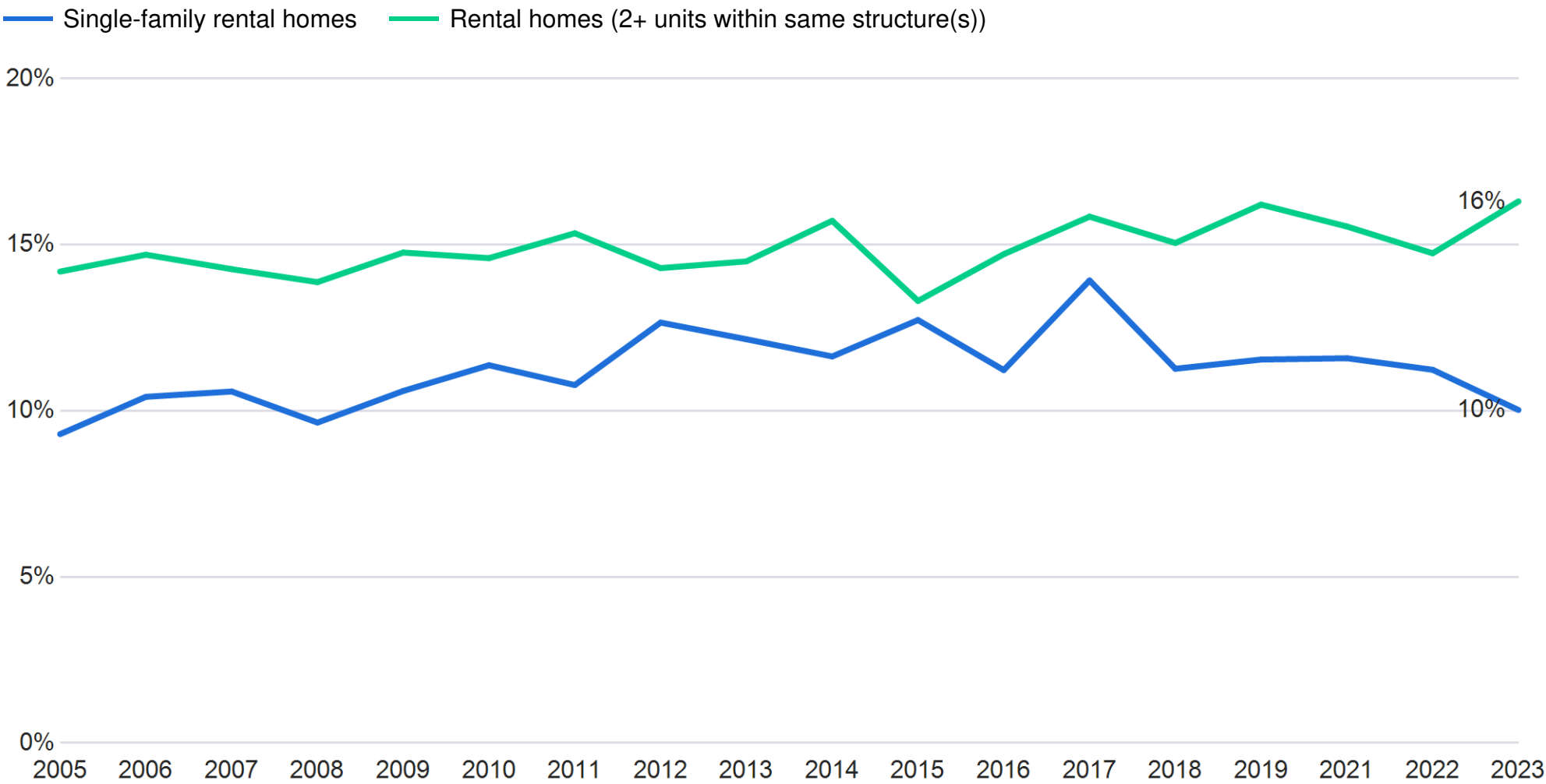
Mortgage Status: Estimate, owner occupied housing units with a mortgage, contract to purchase, or similar debt.
2 or more units: These are units in structures containing 2 or more housing units, further categorized as units in structures with “2 apartments,” etc.
*Other Units: Mobile home, boat, RV, van, etc.
US Rank based on a total of 506 JBREC markets created from the ACS dataset.

See ACS methodology:
<https://www.census.gov/programs-surveys/acs/technical-documentation/code-lists.html> and https://www2.census.gov/programs-surveys/acs/tech_docs/subject_definitions/2023_ACSSubjectDefinitions.pdf

Housing Stock Composition - Rental:

Per the ACS Survey, since 2005, 5,500 single-family homes have become rental properties. The current total of 25,900 accounts for 10% of total housing stock.

Rental Units as a % of All Housing Units



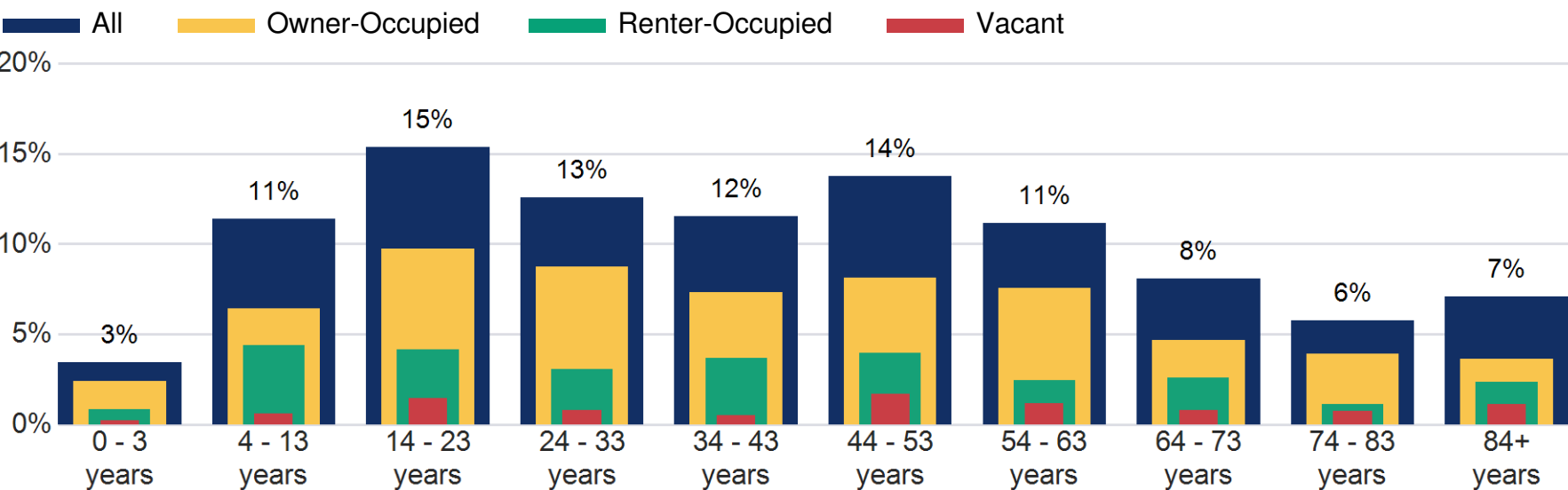
Sources: U.S. Census Bureau ACS; John Burns Research and Consulting, LLC

Housing Stock Composition: 2023 American Community Survey (ACS) by the U.S. Census Bureau

Housing Stock Profile by Year Structure Built								
Age of Structure	% of Total	Total Structures	Owner-Occupied	Renter-Occupied	Vacant	Owner 1-unit (Attached or Detached)	Renter 1-unit (Attached or Detached)	Year Structure Built
0 - 3 years	3%	8,883	6,160	2,125	598	4,950	650	2020 or later
4 - 13 years	11%	29,402	16,616	11,253	1,533			2010 to 2019
14 - 23 years	15%	39,611	25,126	10,749	3,736	36,501	4,063	2000 to 2009
24 - 33 years	13%	32,467	22,561	7,940	1,966			1990 to 1999
34 - 43 years	12%	29,735	18,912	9,527	1,296	35,665	4,407	1980 to 1989
44 - 53 years	14%	35,491	20,937	10,252	4,302			1970 to 1979
54 - 63 years	11%	28,736	19,513	6,259	2,964	39,007	6,868	1960 to 1969
64 - 73 years	8%	20,786	12,022	6,721	2,043			1950 to 1959
74 - 83 years	6%	14,848	10,025	2,930	1,893	21,683	5,926	1940 to 1949
84+ years	7%	18,260	9,349	6,026	2,885	9,295	3,972	1939 or earlier
Totals		258,219	161,221	73,782	23,216	147,101	25,886	

See ACS methodology:
<https://www.census.gov/programs-surveys/acs/technical-documentation/code-lists.html>
and
https://www2.census.gov/programs-surveys/acs/tech_docs/subject_definitions/2023_ACSSubjectDefinitions.pdf

Percentage of Housing Units by Age



Percentage of Housing Units by Age				
Years	% of Total	Owner-Occupied %	Renter - Occupied %	Vacant %
0 - 3 years	3%	2%	1%	0%
4 - 13 years	11%	6%	4%	1%
14 - 23 years	15%	10%	4%	1%
24 - 33 years	13%	9%	3%	1%
34 - 43 years	12%	7%	4%	1%
44 - 53 years	14%	8%	4%	2%
54 - 63 years	11%	8%	2%	1%
64 - 73 years	8%	5%	3%	1%
74 - 83 years	6%	4%	1%	1%
84+ years	7%	4%	2%	1%

Source: U.S. Census Bureau ACS (2023)

Contact Us

Report Analysis

Rick Palacios, Jr.
(949) 870-1244
rpalacios@jbrec.com

Data Questions and Downloads

Grant Wielde
(949) 870-1269
gwielde@jbrec.com

Single-Family Rental and Build for Rent

Don Walker
(858) 281-7212
dwalker@jbrec.com

Geographic Color / Builder and Land Surveys

Jody Kahn
(603) 235-5760
jkahn@jbrec.com

Business Development

Kristen Angle
(949) 870-1252
kangle@jbrec.com

Market Outlook and Forecasts

A collaborative effort by all of JBREC
John Burns
(949) 870-1210
jburns@jbrec.com

Property and Portfolio Consulting

Lesley Deutch
(561) 998-5814
ldeutch@jbrec.com

Jeff Kottmeier
(301) 500-1526
jkottmeier@jbrec.com

Ken Perlman
(858) 281-7214
kperlman@jbrec.com

Don Walker
(858) 281-7212
dwalker@jbrec.com

Dean Wehrli
(916) 647-3263
dwehrli@jbrec.com

Will Frank
(619) 410-3997
wfrank@jbrec.com

Scott Wild
swild@jbrec.com
(858) 281-7223



OFFICES

Atlanta * Austin * Boca Raton * CA Bay Area * Dallas
Denver * Houston * Irvine * Orlando * Phoenix * Sacramento
Salt Lake City * San Diego * Tampa * Washington D.C.

E-mail: contact@jbrec.com

Limiting Conditions

The information contained in this report involved the assembly of many data elements and is subject to human error. Readers of this report take full responsibility for their own actions, including investment decisions, without any liability to John Burns Research and Consulting, LLC. There will usually be differences between projected and actual results, and the differences may be material. We have no liability with respect to the achievement of any projections or forecasts.