

What's Happening In... Chattanooga?



Nestled alongside the Tennessee River in southeastern Tennessee, Chattanooga is a city known for scenic vistas, vibrant arts and culture, and a host of outdoor festivals that keep a steady stream of visitors headed to the “Scenic City.”

Traditionally a manufacturing city with a focus on the automotive and steel industries, Chattanooga is also home to growing health services and education sectors.

Due to its location near the intersection of three states (Alabama, Georgia, and Tennessee), Chattanooga is uniquely positioned to serve as a logistics hub for surrounding areas – a fact that is driving economic growth for this mid-sized but mighty southern city.

Bustling “Boutique” City

One of the major drivers of economic growth is the tourism industry, with more than 15 million visitors coming to the broader Hamilton County area annually.

The tourism is largely driven by people coming to take in Chattanooga’s unique sights and culture, including the historic Incline Railway, beautiful natural areas like Ruby Falls, and a host of top museums. This translates into a hefty \$1.5 billion in tourism spending pouring into the local economy each year.

All of these attractions contributed to the city earning its designation as a “Boutique Market” in the most recent “Emerging Trends in Real Estate” report. More specifically, “Emerging Trends” states: “These are smaller markets with lively downtowns; diversity in leisure, cultural, and natural/outdoor amenities; and stable economic bases that withstood the COVID-19 downturn better than many markets.”

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Chattanooga CRE in 2022

Those desirable characteristics translated into a bumper commercial real estate (CRE) year in 2022, with NAI Charter reporting that “continued impressive demand and diminishing supply persist across all segments of the market.”

That demand, and low vacancies in multiple sectors including industrial and retail, contributed to several large-scale projects being announced throughout the year. One of the largest is the redevelopment of the Wheland Foundry site, which will include a stadium and mixed-use developments consisting of office, retail, and multifamily assets.

Retail, Multifamily Leading Gains

For 2023, data from the National Association of Realtors (NAR) shows ongoing strength for Chattanooga CRE. NAR reports faster absorption of multifamily space in the city than nationwide trends, though rent growth slowed in Q2 2023 (down to 3% from 10% in Q2 2022).

Similarly, absorption of retail properties was also stronger than national trends over the period, along with lower vacancy (down to 2.8% from 3.3% in 2022). Rent growth for the sector dropped slightly from 5.6% in 2022 to 4.6% in Q2 2023.

Industrial and office assets saw a drop-off in absorption, but NAR still notes that: “Despite weak conditions, [office] rent prices rose faster than nationwide and the vacancy rate is lower in this area.”

Developing Trends

With trends for 2023 still playing out, the full picture of how CRE markets in Chattanooga have shaped up in 2023 will only become clear once all the data is in.

With that said, we encourage investors (and CRE professionals) interested in opportunities in the Chattanooga area to contact our local office at NAI Charter.

