



MULTIFAMILY REPORT

# Knoxville's Endurance

September 2024

**YoY Completions Healthy**

**Job Growth Turns Negative**

**YoY Rent Gains Outpace US**

# KNOXVILLE MULTIFAMILY



## Rent Growth Recovers, Development Improves

Knoxville's multifamily fundamentals remained relatively healthy in the face of economic headwinds, compared to most larger metros. Advertised asking rents were up 0.4% on a trailing three-month basis through July, to \$1,479, exceeding the 0.3% U.S. rate. Year-over-year, rates were up 1.8% and more than double the 0.8% national figure. Occupancy declined 40 basis points year-over-year, but clocked in at a healthy 96.2%, as of June.

Knoxville unemployment stood at 3.4% in June, according to preliminary data from the Bureau of Labor Statistics. That was 70 basis points below the national figure. In the 12 months ending in May, the metro's labor pool contracted by 0.1%, marking the second consecutive month of net losses. Three sectors maintained a steady pace—education and health services added 2,800 jobs, while manufacturing and government grew by 900 positions each. Professional and business services lost the most out of all sectors (2,800 jobs). Key projects in the metro include an upcoming, 7,000-seat sports stadium and a \$300 million corporate campus that will include warehousing and manufacturing facilities.

Multifamily development remained healthy, with Knoxville adding 661 units to its inventory year-to-date through July, already more than the 517 units completed in all of 2023. The metro had 2,978 units under construction, along with 5,000 in the planning and permitting stages.

### Recent Knoxville Transactions

#### The Artisan West



City: Knoxville, Tenn.  
Buyer: Covenant Capital Group  
Purchase Price: \$31 MM  
Price per Unit: \$161,082

## Market Analysis | September 2024

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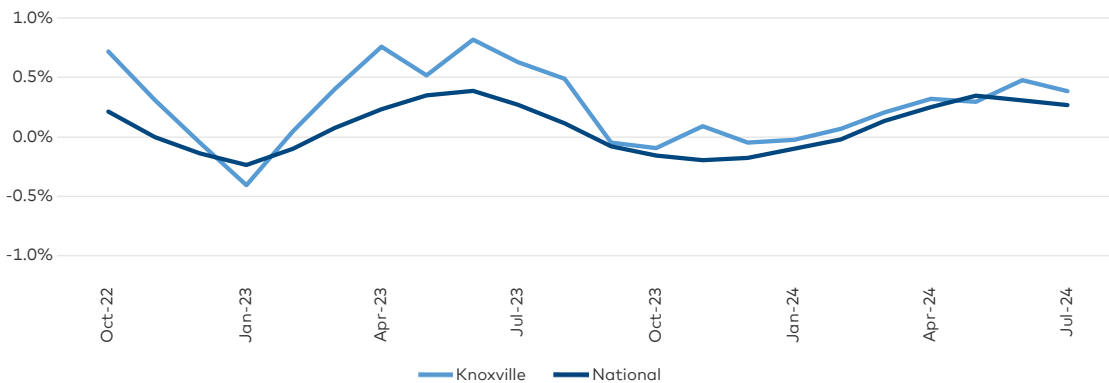
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## RENT TRENDS

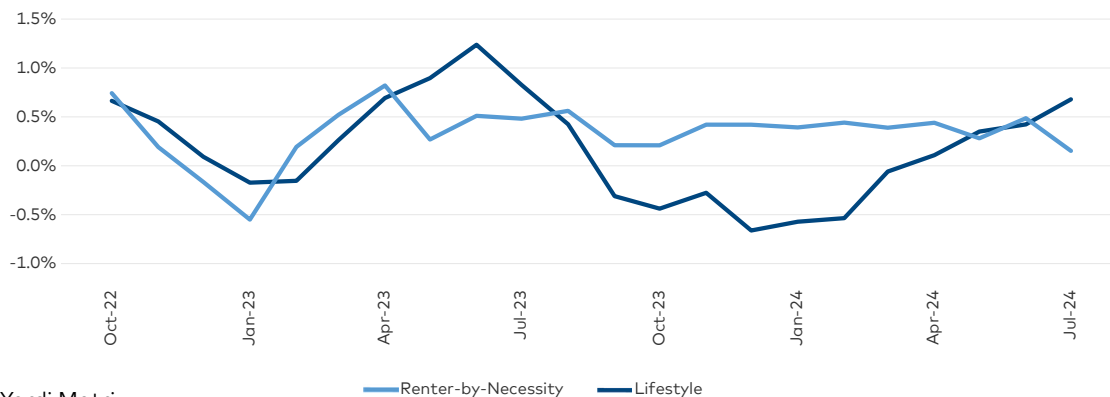
- ▶ Knoxville's average advertised asking rent was up 0.4% on a trailing three-month (T3) basis through July, to \$1,479. Meanwhile, the U.S. figure rose 0.3%, to \$1,743. T3 movement has been staying ahead of the national rate since early 2023. Year-over-year, advertised asking rents were up 1.8% in Knoxville, outpacing the 0.8% U.S. figure. Knoxville was also significantly ahead of other Tennessee metros: Chattanooga (1.0%), Memphis (-0.1%) and Nashville (-2.3%).
- ▶ Advertisd asking rents in the working-class Renter-by-Necessity segment were up 0.2% on a T3 basis through July, to an average of \$1,297. Rates for upscale Lifestyle properties were up 0.7%, to \$1,830. Although the latter rebounded to a higher T3 rate, the segment experienced contractions from September 2023 to March 2024. Meanwhile, RBN figures avoided negative territory last year, remaining in the 0.2% to 0.4% range.
- ▶ Occupancy in stabilized assets dropped 40 basis points year-over-year, to 96.2%, as of June. The national figure also declined by 40 basis points, to 94.6%. RBN occupancy stood unchanged, at 96.5%, while the Lifestyle figure dropped 90 basis points, to 95.7%.
- ▶ Of the 19 Knoxville submarkets tracked by Yardi Matrix, five had above-average year-over-year growth in advertised asking rents. Knoxville–West led gains with a 9.9% increase, to \$1,323, followed by Maryville (6.4% to \$1,260), Corryton (3.4% to \$1,473), Karns (2.7% to \$1,643) and Middlebrook (2.2% to \$1,411).

### Knoxville vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Knoxville Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- Knoxville unemployment was 3.4% as of June, according to preliminary data from the BLS. The figure was 70 basis points below the national rate. Unemployment was up 10 basis points since January, improving after a four-month period below 3.0%. Meanwhile, Tennessee's rate stood at 3.0% in June.
- Over the 12-month period ending in May, Knoxville lost 600 net jobs. This meant a 0.1% contraction of the labor pool for the second consecutive month, while the national figure stood at a positive 1.3%. Knoxville's employment growth slid behind the U.S. rate in September last year and has trailed it since.
- Education and health services added 2,800 jobs (4.7%), while manufacturing and government added 900 positions each (1.9% and 1.5%, respectively). Professional and business services lost 2,500 jobs, followed by leisure and hospitality, which was down 1,600 positions.
- Besides the \$1.6 billion in ongoing projects that the University of Tennessee at Knoxville is working on, a few others are expected to boost the manufacturing and leisure and hospitality sectors. These include an upcoming \$114 million, 7,000-seat sports stadium, and Greenheck Group's \$300 million corporate campus, which is also set to include manufacturing and warehousing components.

### Knoxville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	62.1	14.1%
30	Manufacturing	48.4	11.0%
90	Government	61.3	13.9%
80	Other Services	16.8	3.8%
40	Trade, Transportation and Utilities	86.1	19.5%
50	Information	6.8	1.5%
15	Mining, Logging and Construction	21.2	4.8%
55	Financial Activities	21.6	4.9%
70	Leisure and Hospitality	47.1	10.7%
60	Professional and Business Services	69.7	15.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- Knoxville added 10,543 residents in 2022, for a 1.2% expansion. Meanwhile, the U.S. population grew 0.4%.
- Smaller metros continued to grow post-pandemic, with demand often driven by more affordable housing.

### Knoxville vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Knoxville	853,337	861,872	873,816	884,359

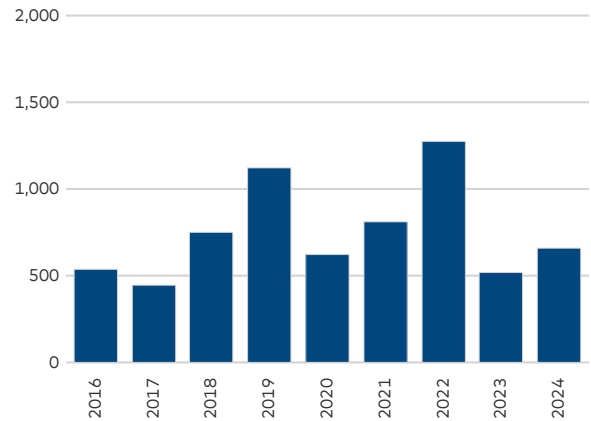
Source: U.S. Census

## SUPPLY

- ▶ Knoxville developers completed 661 units, or 1.6% of existing stock, year-to-date through July, 20 basis points above the national rate. That was already more than the 517 units delivered during 2023. This also reflects increased activity compared to the 2016-2023 average, which clocked in at 761 apartments.
- ▶ Knoxville had 2,978 units under construction as of July, along with 5,000 units in the planning and permitting stages. Nearly two-thirds of all units underway were in Lifestyle projects, while just over 10% were in fully affordable developments.
- ▶ Only one, 88-unit property broke ground in the first seven months of the year across Knoxville, Yardi Matrix data shows. This marked a sharp decline compared to the three properties, totaling 591 units, that developers began construction on during the same period last year.
- ▶ Waterfront submarkets remained popular with developers, as did areas near major thoroughfares and suburbs. Knoxville–East led activity as of July 2024, with 788 units under construction, followed by submarkets Farragut (514 units), Maryville (498) and South Knoxville (348).

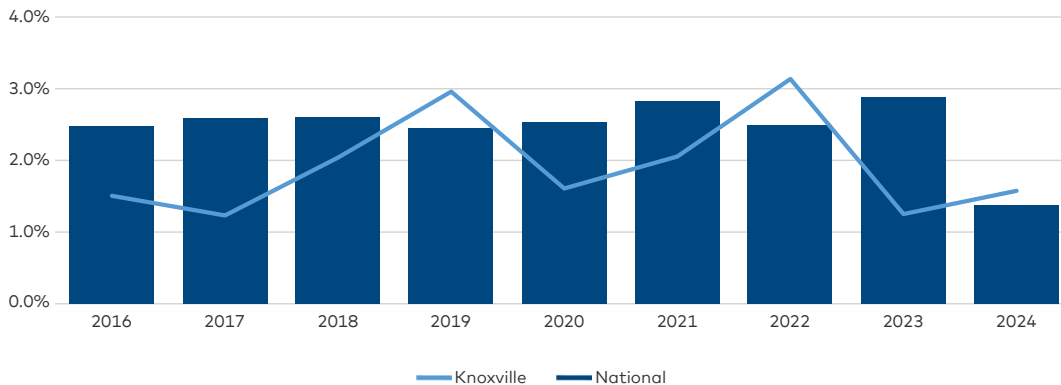
- ▶ Omninet Capital's redevelopment of Hotel Knoxville was the largest project in the metro as of July 2024. The owner broke ground last year. The 375-unit community, dubbed Vision, is located in the Knoxville–East submarket. The hotel has been vacant since 2020, and completion is expected by the end of this year.

**Knoxville Completions** (as of July 2024)



Source: Yardi Matrix

**Knoxville vs. National Completions as a Percentage of Total Stock** (as of July 2024)

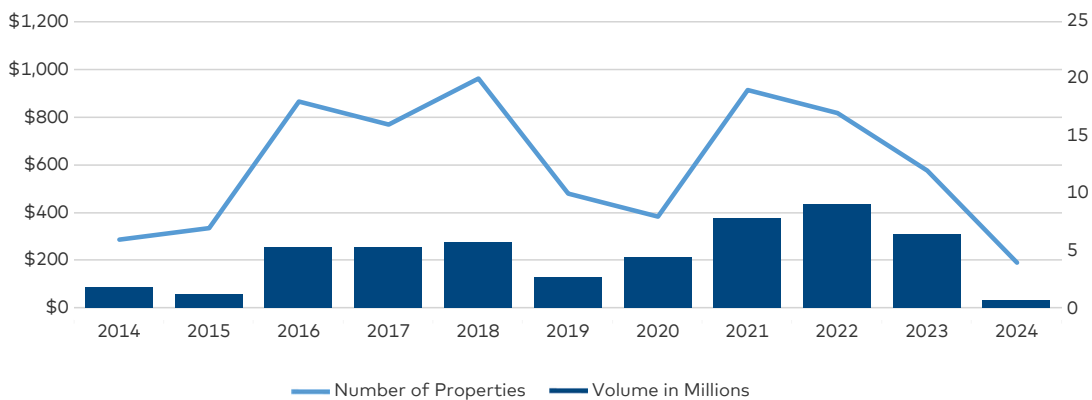


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Knoxville investors closed on four transactions, totaling \$31 million, year-to-date through July. Although volume was down more than 83% year-over-year, this was roughly in line with nationwide trends. Unlike major metros, Knoxville's volume did not fluctuate much in the last three years. From 2014 to 2023, investors traded an average of \$239 million in multifamily assets each year.
- ▶ The average price per unit through July was \$161,082, trailing the national figure by more than \$20,000. Knoxville's per-unit price exceeded \$100,000 for the first time in 2019 and has increased by more than 78% since then.
- ▶ Over the 12 months ending in July, investors traded \$210 million in multifamily assets. One sale accounted for South Knoxville's entire volume over this period: PASSCO Real Estate paid \$124 million, or roughly \$409,474 per unit, for the 303-unit One Riverwalk.

### Knoxville Sales Volume and Number of Properties Sold (as of July 2024)



Source: Yardi Matrix

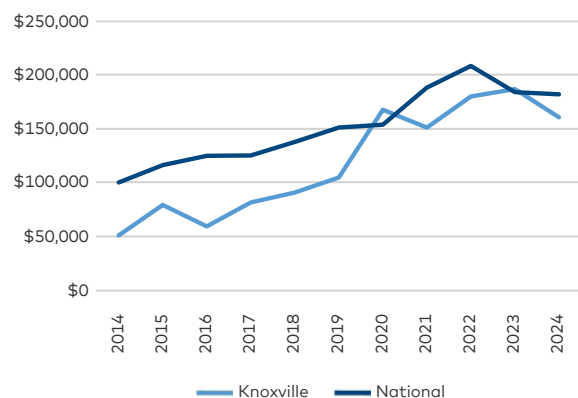
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
South Knoxville	124
Knoxville–West	49
Middlebrook	31
Oakridge	6

Source: Yardi Matrix

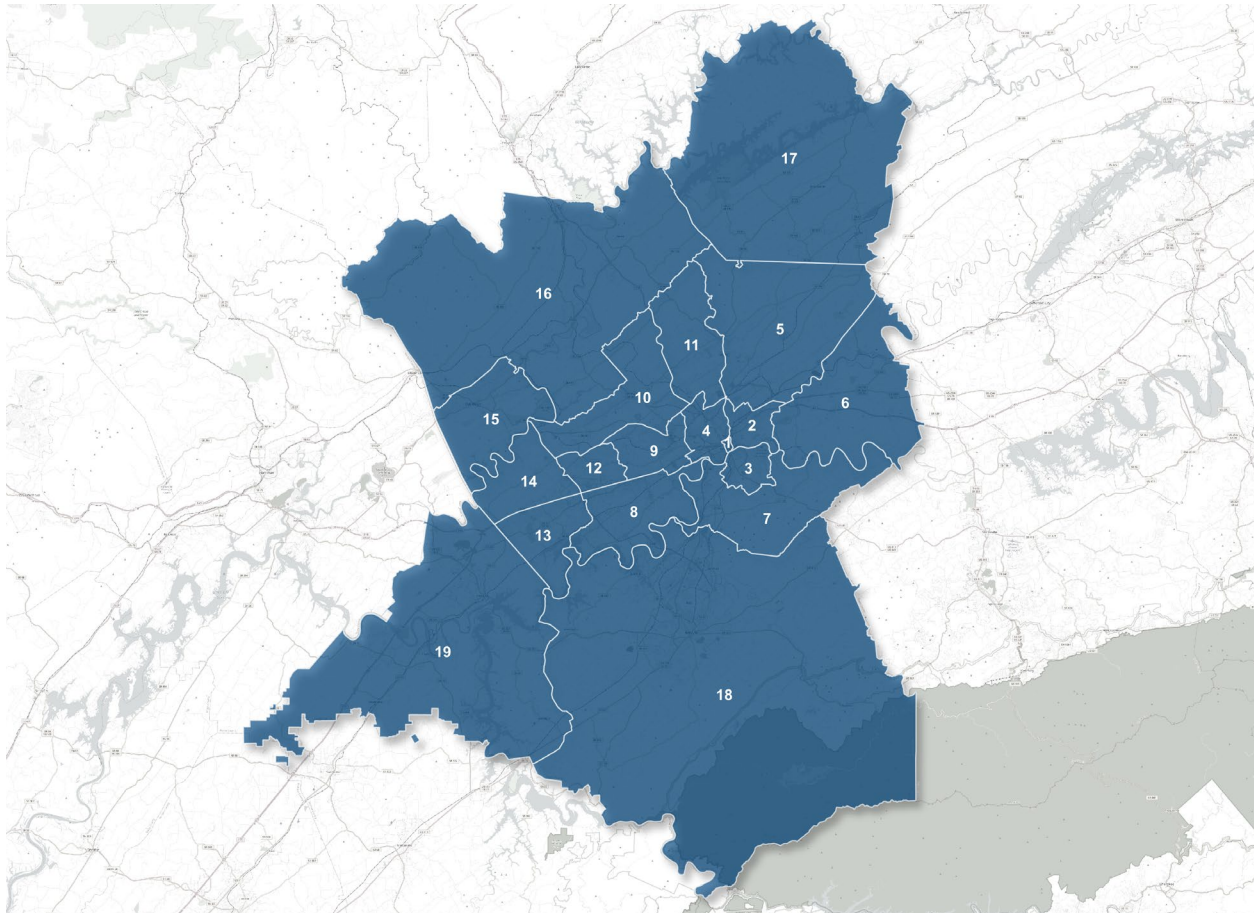
<sup>1</sup> From August 2023 to July 2024

### Knoxville vs. National Sales Price per Unit



Source: Yardi Matrix

## KNOXVILLE SUBMARKETS



Area No.	Submarket
1	Knoxville-Downtown
2	Knoxville-East
3	South Knoxville
4	Knoxville-West
5	Corryton
6	Strawberry Plains
7	Seymour
8	Northshore
9	Middlebrook
10	Karns

Area No.	Submarket
11	Powell
12	Cedar Bluff
13	Farragut
14	Hardin Valley
15	Oakridge
16	Anderson
17	Union
18	Maryville
19	Loudon

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x14006.





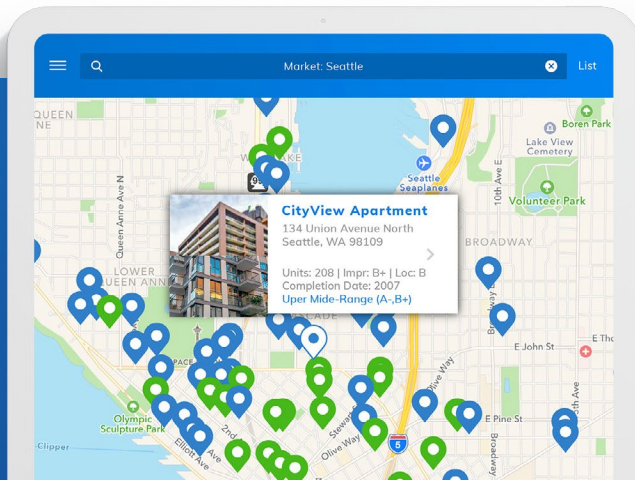
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