

Yardi® Matrix

# Knoxville's Mending Ways

Multifamily Report Summer 2019

Employment Gains Improve

Limited Supply Sustains Rent Growth

Transaction Activity, Stock Additions Dwindle

# KNOXVILLE MULTIFAMILY

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## Market Analysis

Summer 2019

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## Tepid Supply Boosts Rent Growth

Knoxville's economy is steadily accelerating, strengthening the metro's multifamily fundamentals. The market's healthy demand, coupled with tepid construction activity, pushed up rent growth to 3.6% year-over-year through July, 20 basis points above the U.S. rate. The average Knoxville rent surpassed the \$1,000 mark for the first time, reaching \$1,023 as of July.

Employment growth saw a 1.9% uptick during the 12 months ending in June, outpacing the national rate for the first time since 2011. Trade, transportation and utilities led growth, following last year's nearly 2.2 million passengers that traveled through McGhee Tyson Airport. Manufacturing rose a solid 4.6% and is poised for sustained growth. There are several developments underway set to boost the area's economy, including the \$6.5 billion Uranium Processing Facility at Y-12 National Security Complex in Oak Ridge, slated for completion in 2025. Meanwhile, three employment sectors contracted—including construction—losing a combined 800 jobs.

Transaction activity moderated considerably: Only three assets of 50 or more units traded in Knoxville this year through July. Deliveries also lagged, with just one property coming online during the first seven months. Mostly due to tepid supply, we expect the average Knoxville rent to continue rising, clocking in at 3.6% for the year.

## Recent Knoxville Transactions

Steeplechase



City: Knoxville, Tenn.  
Buyer: West Shore  
Purchase Price: \$40 MM  
Price per Unit: \$87,778

British Woods



City: Oak Ridge, Tenn.  
Buyer: Prime Property Investors  
Purchase Price: \$8 MM  
Price per Unit: \$59,808

Knoxwood Hills



City: Knoxville, Tenn.  
Buyer: CRE-PRO  
Purchase Price: \$4 MM  
Price per Unit: \$38,265

The Flats at Jackson Square



City: Oak Ridge, Tenn.  
Buyer: Covenant Capital Group  
Purchase Price: \$4 MM  
Price per Unit: \$29,744