

NAI Koella
RM Moore

Q3 2023

Knoxville Market Report

91 M
Inventory SF

758 K
12 Mo Net Absorption SF

1.4%
Vacancy Rate

\$8.21
Market Rent/SF

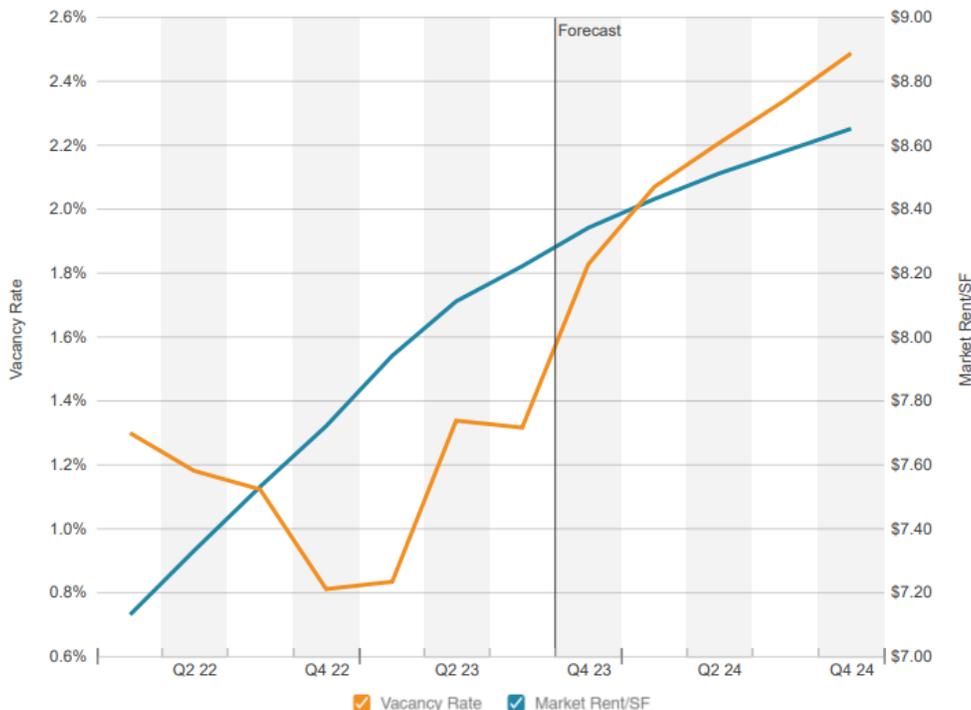
METRO KNOXVILLE VACANCY RATE LOWEST IN SOUTHEAST REGION

Knoxville's industrial market has performed well in recent years. At 1.4%, the metro's vacancy rate is near all-time lows and remains one of the lowest in the Southeast region. Anchoring that performance has been the combination of steady demand and a lack of large-scale speculative supply, which has kept industrial vacancies tight. That has ultimately kept pricing power in the hands of landlords, but that position of strength has started to regress as of late. Namely, by the close of the third quarter, asking rents grew by about 1%. That marked the first time since early 2021 in which quarterly rent growth did not surpass 2%.

Low business costs and a strategic location at the crossroads of I-75, I-40, and I-81 have attracted many national companies to Knoxville, such as 3M and Newell. However, the industrial sector in Knoxville is more centered on manufacturing and local distribution rather than the large-scale regional distribution companies that are driving industrial demand in large metros such as Nashville and Atlanta. While Knoxville is not typically a magnet for institutional investment, the capital markets have not slowed as much here as they have in other parts of the country. In fact, four-quarter trailing investment activity remained about 10% above pre-pandemic norms by the close of the third quarter.

Source: CoStar Group

Vacancy Rates & Rental Rates Per SF



Source: CoStar Group

Sevierville

+1 865 453 8111

Knoxville

+1 865 531 6400

www.koellamoore.com

Submarket Overview

Anderson County | \$888M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 10.4M ↑ | Market Rent/SF | \$7.38 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 9.1% ↑ |
| 12 Mo Net Absorp SF | 212K | Market Sale Price/SF | \$85 ↑ |
| Vacancy Rate | 0.7% ↓ | 12 Mo Sales Vol | \$18.4M ↑ |

Bearden/Papermill/W Town | \$460M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 5.6M ↓ | Market Rent/SF | \$8.74 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 9.0% ↑ |
| 12 Mo Net Absorp SF | 9.6K | Market Sale Price/SF | \$83 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$12.7M ↑ |

Blount County | \$1.1B Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|----------|
| Inventory SF | 14.6M ↓ | Market Rent/SF | \$8.65 ↑ |
| Under Constr SF | 805K ↑ | Annual Rent Growth | 8.8% ↑ |
| 12 Mo Net Absorp SF | (2.2K) | Market Sale Price/SF | \$74 ↑ |
| Vacancy Rate | 0.6% ↑ | 12 Mo Sales Vol | \$58M ↑ |

Campbell Station/Farragut | \$11.6M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|----------|
| Inventory SF | 147K ↓ | Market Rent/SF | \$9.36 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 7.7% ↑ |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$79 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$0 ↓ |

Cedar Bluff/Walker Spgs | \$34.8M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|----------|
| Inventory SF | 381K ↓ | Market Rent/SF | \$9.85 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 8.1% ↑ |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$91 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$0 ↓ |

Downtown | \$119M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 2.2M ↓ | Market Rent/SF | \$6.20 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 9.4% ↑ |
| 12 Mo Net Absorp SF | 21.6K | Market Sale Price/SF | \$54 ↑ |
| Vacancy Rate | 0.2% ↓ | 12 Mo Sales Vol | \$10.3M ↑ |

East | \$248M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|----------|
| Inventory SF | 2.9M ↑ | Market Rent/SF | \$7.51 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 9.6% ↑ |
| 12 Mo Net Absorp SF | 215K | Market Sale Price/SF | \$85 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$3.9M ↑ |

Loudon County | \$455M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 6.8M ↑ | Market Rent/SF | \$7.57 ↑ |
| Under Constr SF | 404K ↑ | Annual Rent Growth | 9.5% ↑ |
| 12 Mo Net Absorp SF | 182K | Market Sale Price/SF | \$63 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$13.3M ↑ |

North/Broadway | \$1.4B Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 19M ↑ | Market Rent/SF | \$8.12 ↑ |
| Under Constr SF | 317K ↑ | Annual Rent Growth | 8.8% ↑ |
| 12 Mo Net Absorp SF | (26.4K) | Market Sale Price/SF | \$72 ↑ |
| Vacancy Rate | 1.6% ↑ | 12 Mo Sales Vol | \$28.4M ↓ |

North/Emory Road | \$178M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|----------|
| Inventory SF | 2.1M ↑ | Market Rent/SF | \$9.66 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 7.5% ↑ |
| 12 Mo Net Absorp SF | (30.7K) | Market Sale Price/SF | \$86 ↑ |
| Vacancy Rate | 6.3% ↑ | 12 Mo Sales Vol | \$0 ↓ |

Pellissippi/Lovell | \$1B Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 9.6M ↑ | Market Rent/SF | \$10.71 ↑ |
| Under Constr SF | 226K ↓ | Annual Rent Growth | 8.7% ↑ |
| 12 Mo Net Absorp SF | 172K | Market Sale Price/SF | \$103 ↑ |
| Vacancy Rate | 0.6% ↓ | 12 Mo Sales Vol | \$56M ↑ |

South | \$737M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 10.1M ↑ | Market Rent/SF | \$7.25 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 9.2% ↑ |
| 12 Mo Net Absorp SF | (167K) | Market Sale Price/SF | \$73 ↑ |
| Vacancy Rate | 4.7% ↑ | 12 Mo Sales Vol | \$68.2M ↑ |

Union County | \$26.6M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|----------|
| Inventory SF | 453K ↓ | Market Rent/SF | \$9.30 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 8.2% ↑ |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$59 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$0 ↓ |

Source: CoStar Group

37.5 M
Inventory SF

243K
12 Mo Net Absorption SF

3.9%
Vacancy Rate

\$20.64
Market Rent/SF



OFFICE DEMAND STABILIZED BUT STILL MUTED

Demand for office space in Knoxville has started to pick back up over the past two years but still remains muted overall. In fact, had it not been for the removal of nearly 350,000 SF of office space since the beginning of 2020, the market's vacancy rate would likely be drastically higher than the current rate of 3.9%. Yet, it also speaks to how tight the market was prior to the onset of the pandemic.

A key component of the local office market's health has been the lack of office development in recent years. The last time a calendar year registered at least 100,000 SF of net-new supply was in 2017. Furthermore, Knoxville's office inventory has actually decreased over the past five years due to the prevalence of conversions and demolitions resulting in the removal of existing space. As a result, supply-side pressures have been limited at a time when tenants have been reevaluating their footprints.

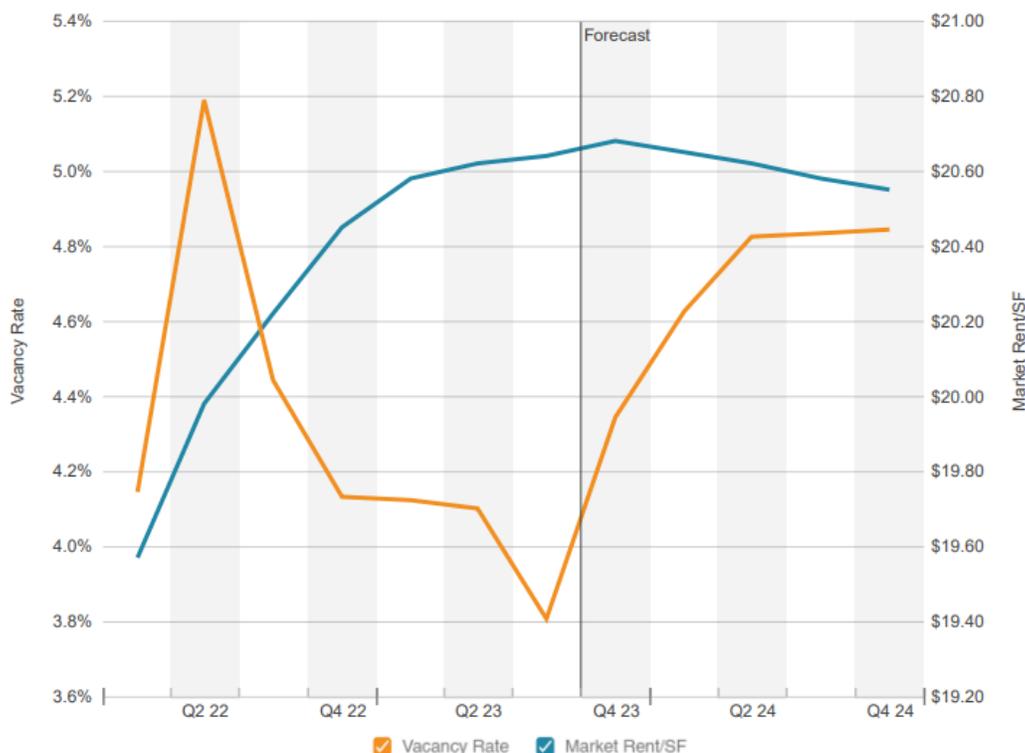
A rapid economic recovery coincided with an uptick in office leasing activity in late 2021 and early 2022. However, that seems to have been short-lived, as recent outputs have been slimming. For example, from 22Q1 through 23Q1, the metro's four-quarter trailing leasing activity total exceeded one million SF. That aligned with the metro's pre-pandemic four-quarter trailing average of about 985,000 SF, registered from 2015 through 2019. However, that four-quarter trailing total has since declined to about 850,000 SF, as the first two quarters of 2023 experienced a significant dropoff in leasing activity.

A tight vacancy rate coupled with an under-construction pipeline that is nearly fully committed to has kept pricing power in the hands of landlords, but only minimally. After all, there is still a rising uncertainty surrounding the future of office-using needs both locally and nationally, in addition to the potential for economic turbulence in the coming quarters according to Oxford Economics.

Within the capital markets, investors have still been active thus far in 2023. In fact, by the end of June, about 50 deals closed in the first half of the year. Although that was about 15% below pre-pandemic norms for the first half of a year, it was by no means a massive drop-off. Yet, with rates on the rise, getting back to pre-pandemic norms may be difficult in the near term.

Vacancy Rates & Rental Rates Per SF

Source: CoStar Group



CoStar Group

Sevierville

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Knoxville

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Submarket Overview

Anderson County | \$318M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 3.1M ↓ | Market Rent/SF | \$18.89 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 2.2% ↑ |
| 12 Mo Net Absorp SF | (41.1K) | Market Sale Price/SF | \$101 ↓ |
| Vacancy Rate | 3.5% ↑ | 12 Mo Sales Vol | \$13.7M ↓ |

Bearden/Papermill/W Town | \$846M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 5.9M ↑ | Market Rent/SF | \$22.67 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 2.1% ↑ |
| 12 Mo Net Absorp SF | 36.5K | Market Sale Price/SF | \$144 ↓ |
| Vacancy Rate | 4.4% ↓ | 12 Mo Sales Vol | \$13.5M ↓ |

Blount County | \$396M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 3.3M ↑ | Market Rent/SF | \$19.04 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 2.3% ↑ |
| 12 Mo Net Absorp SF | 74.8K | Market Sale Price/SF | \$119 ↓ |
| Vacancy Rate | 0.9% ↓ | 12 Mo Sales Vol | \$5.1M ↓ |

Campbell Station/Farragut | \$169M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 1M ↓ | Market Rent/SF | \$23.34 ↑ |
| Under Constr SF | 37.8K ↑ | Annual Rent Growth | 2.4% ↑ |
| 12 Mo Net Absorp SF | (18.4K) | Market Sale Price/SF | \$161 ↓ |
| Vacancy Rate | 6.2% ↑ | 12 Mo Sales Vol | \$1.9M ↓ |

Cedar Bluff/Walker Spgs | \$403M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 3M ↓ | Market Rent/SF | \$20.91 ↑ |
| Under Constr SF | 25K | Annual Rent Growth | 1.9% ↑ |
| 12 Mo Net Absorp SF | (32.5K) | Market Sale Price/SF | \$132 ↓ |
| Vacancy Rate | 5.2% ↑ | 12 Mo Sales Vol | \$2.1M ↓ |

Downtown | \$758M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 5.1M ↓ | Market Rent/SF | \$20.89 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 1.7% ↑ |
| 12 Mo Net Absorp SF | 89.8K | Market Sale Price/SF | \$147 ↓ |
| Vacancy Rate | 2.8% ↓ | 12 Mo Sales Vol | \$10M ↓ |

East | \$31.5M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 267K ↓ | Market Rent/SF | \$18.31 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 1.8% ↑ |
| 12 Mo Net Absorp SF | (128) | Market Sale Price/SF | \$118 ↓ |
| Vacancy Rate | 2.1% ↑ | 12 Mo Sales Vol | \$975K ↓ |

Loudon County | \$128M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 962K ↓ | Market Rent/SF | \$20.82 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 2.1% ↑ |
| 12 Mo Net Absorp SF | (5.7K) | Market Sale Price/SF | \$133 ↓ |
| Vacancy Rate | 6.3% ↑ | 12 Mo Sales Vol | \$1.9M ↓ |

North/Broadway | \$562M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 4.7M ↑ | Market Rent/SF | \$18.62 ↑ |
| Under Constr SF | 5K ↓ | Annual Rent Growth | 2.0% ↑ |
| 12 Mo Net Absorp SF | 79.2K | Market Sale Price/SF | \$121 ↓ |
| Vacancy Rate | 2.8% ↓ | 12 Mo Sales Vol | \$8M ↓ |

North/Emory Road | \$98.2M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 691K ↓ | Market Rent/SF | \$22.40 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 2.2% ↑ |
| 12 Mo Net Absorp SF | 8.2K | Market Sale Price/SF | \$142 ↓ |
| Vacancy Rate | 3.1% ↓ | 12 Mo Sales Vol | \$2.1M ↓ |

Pellissippi/Lovell | \$759M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 5.3M ↓ | Market Rent/SF | \$22.16 ↑ |
| Under Constr SF | 141K ↑ | Annual Rent Growth | 2.1% ↑ |
| 12 Mo Net Absorp SF | 33K | Market Sale Price/SF | \$141 ↓ |
| Vacancy Rate | 4.4% ↓ | 12 Mo Sales Vol | \$19.7M ↓ |

South | \$257M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 1.9M ↑ | Market Rent/SF | \$20.00 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 2.1% ↑ |
| 12 Mo Net Absorp SF | 24.7K | Market Sale Price/SF | \$134 ↓ |
| Vacancy Rate | 1.7% ↓ | 12 Mo Sales Vol | \$8.1M ↑ |

Union County | \$18.4M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 174K ↓ | Market Rent/SF | \$19.29 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 1.8% ↑ |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$105 ↓ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$400K ↑ |

60.4 M
Inventory SF

129 K
12 Mo Net Absorption SF

2.8%
Vacancy Rate

\$17.83
Market Rent/SF

RETAIL MARKET IN HEALTHY POSITION

Knoxville's retail market finds itself in one of the most fundamentally healthy positions in the past 20 years as of 23Q3. That has been evidenced by its vacancy rate, which, at just 2.8%, is near 15-year lows and well below the rate from early 2020, prior to the onset of the pandemic. Furthermore, despite the negative absorption that the metro registered in 2020, the bulk of that negativity was offset by the demolition of Knoxville Center in 21Q2, which helped push the overall vacancy rate lower, following a temporary spike.

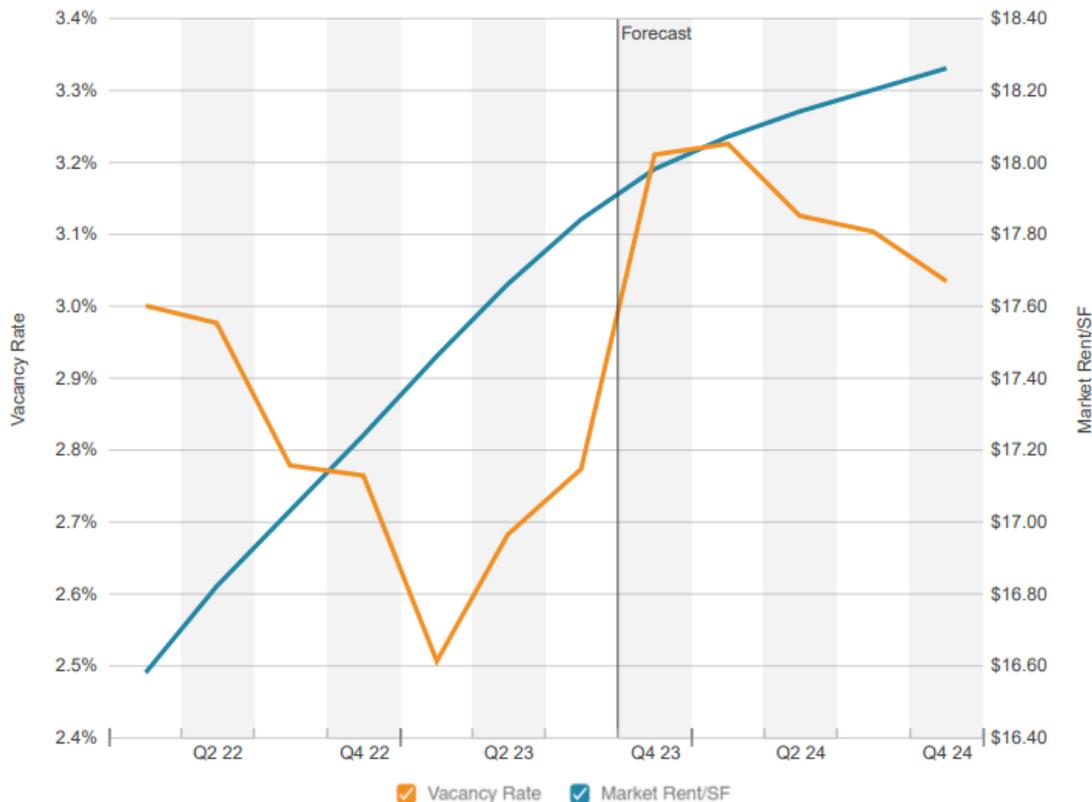
The demolition of the 996,000 SF Knoxville Center serves as a microcosm of the transformation taking place within the retail sector, both locally and nationally. The site was developed into a 220,000 SF distribution center for Amazon, as the e-commerce giant sought to grow its footprint in the area and increase its customer reach. In addition, with an overall lack of retail development as of late, coupled with demolitions such as this, Knoxville's retail inventory has essentially been flat since 2016. In turn, among all cohorts of retail except for malls, the collective vacancy rate was about 2.3% approaching the fall. Within malls, that rate was about 8.4%, which further speaks to the delta in performance between those subsets of the retail sector locally.

The pipeline in Knoxville remains light. With about 280,000 SF of retail space underway and most of that space already committed to, supply-side pressures are minimal. That, along with the aforementioned tight vacancy rate, has allowed for rent growth to accelerate and surpass pre-pandemic annual averages. However, even with little to suggest a sizable expansion of vacancies in the near term by way of move-outs, concerns surrounding economic slowing have already begun to impact growth rates, as the metro's four-quarter trailing rate of growth has slimmed in each quarter of 2023.

Retail investors have been keen on the market's performance as well, but given the rise in interest rates over the past four quarters, deal flow has slowed significantly. In fact, the metro's four-quarter trailing number of transactions came in at about 140 deals by the midway point of the year. That was about 37% below pre-pandemic norms for Knoxville. Furthermore, the average building to change hands has dropped in size, and at about 7,500 SF, is at its lowest average in 15 years.

Source: CoStar Group

Vacancy Rates & Rental Rates Per SF



Source: CoStar Group

Submarket Overview

Anderson County | \$1B Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 5.9M ↑ | Market Rent/SF | \$16.44 ↑ |
| Under Constr SF | 12K ↓ | Annual Rent Growth | 4.5% ↑ |
| 12 Mo Net Absorp SF | 69.7K | Market Sale Price/SF | \$171 ↑ |
| Vacancy Rate | 1.7% ↓ | 12 Mo Sales Vol | \$14.2M ↓ |

Bearden/Papermill/W Town | \$1.2B Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 6.4M ↑ | Market Rent/SF | \$23.40 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 4.8% ↑ |
| 12 Mo Net Absorp SF | 114K | Market Sale Price/SF | \$194 ↑ |
| Vacancy Rate | 2.2% ↓ | 12 Mo Sales Vol | \$18.1M ↑ |

Blount County | \$1.3B Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 7.5M ↑ | Market Rent/SF | \$16.96 ↑ |
| Under Constr SF | 116K ↑ | Annual Rent Growth | 4.3% ↑ |
| 12 Mo Net Absorp SF | (4.9K) | Market Sale Price/SF | \$165 ↑ |
| Vacancy Rate | 3.4% ↑ | 12 Mo Sales Vol | \$28.2M ↓ |

Campbell Station/Farragut | \$818M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 3.8M ↑ | Market Rent/SF | \$24.79 ↑ |
| Under Constr SF | 63.7K ↑ | Annual Rent Growth | 5.3% ↑ |
| 12 Mo Net Absorp SF | 18.8K | Market Sale Price/SF | \$209 ↑ |
| Vacancy Rate | 2.3% ↓ | 12 Mo Sales Vol | \$5.2M ↓ |

Cedar Bluff/Walker Spgs | \$454M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 2.5M ↓ | Market Rent/SF | \$20.74 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 5.4% ↑ |
| 12 Mo Net Absorp SF | (36.9K) | Market Sale Price/SF | \$179 ↑ |
| Vacancy Rate | 3.6% ↑ | 12 Mo Sales Vol | \$14.9M ↑ |

Downtown | \$534M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 2.2M ↓ | Market Rent/SF | \$22.60 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 4.8% ↑ |
| 12 Mo Net Absorp SF | 32.1K | Market Sale Price/SF | \$246 ↑ |
| Vacancy Rate | 5.6% ↓ | 12 Mo Sales Vol | \$17.1M ↓ |

East | \$226M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 1.6M ↓ | Market Rent/SF | \$12.40 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 4.1% ↑ |
| 12 Mo Net Absorp SF | (3.1K) | Market Sale Price/SF | \$142 ↑ |
| Vacancy Rate | 2.1% ↑ | 12 Mo Sales Vol | \$715K ↓ |

Loudon County | \$471M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 2.7M ↓ | Market Rent/SF | \$16.75 ↑ |
| Under Constr SF | 6.2K ↓ | Annual Rent Growth | 4.5% ↑ |
| 12 Mo Net Absorp SF | 14K | Market Sale Price/SF | \$171 ↑ |
| Vacancy Rate | 0.8% ↓ | 12 Mo Sales Vol | \$9.2M ↑ |

North/Broadway | \$1.8B Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 10.9M ↑ | Market Rent/SF | \$17.22 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 4.4% ↑ |
| 12 Mo Net Absorp SF | (4.4K) | Market Sale Price/SF | \$170 ↑ |
| Vacancy Rate | 4.2% ↑ | 12 Mo Sales Vol | \$28.1M ↓ |

North/Emory Road | \$298M Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 1.4M ↑ | Market Rent/SF | \$19.35 ↑ |
| Under Constr SF | 14K ↓ | Annual Rent Growth | 4.4% ↑ |
| 12 Mo Net Absorp SF | (13.4K) | Market Sale Price/SF | \$207 ↑ |
| Vacancy Rate | 2.3% ↑ | 12 Mo Sales Vol | \$7.5M ↑ |

Pellissippi/Lovell | \$1B Asset Value

Knoxville - TN

| | | | |
|---------------------|---------|----------------------|-----------|
| Inventory SF | 5.1M ↑ | Market Rent/SF | \$20.70 ↑ |
| Under Constr SF | 58.4K ↑ | Annual Rent Growth | 5.1% ↑ |
| 12 Mo Net Absorp SF | 58.5K | Market Sale Price/SF | \$196 ↑ |
| Vacancy Rate | 0.8% ↓ | 12 Mo Sales Vol | \$4.4M ↓ |

South | \$555M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 4.3M ↓ | Market Rent/SF | \$12.72 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 4.6% ↑ |
| 12 Mo Net Absorp SF | (113K) | Market Sale Price/SF | \$129 ↑ |
| Vacancy Rate | 5.4% ↑ | 12 Mo Sales Vol | \$10M ↓ |

Union County | \$87.2M Asset Value

Knoxville - TN

| | | | |
|---------------------|--------|----------------------|-----------|
| Inventory SF | 500K ↓ | Market Rent/SF | \$14.66 ↑ |
| Under Constr SF | 0 ↓ | Annual Rent Growth | 3.6% ↑ |
| 12 Mo Net Absorp SF | 2.4K | Market Sale Price/SF | \$174 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$0 ↓ |

Source: CoStar Group

42,189

Inventory Units

810

12 Mo Net Absorption Units

5.4%

Vacancy Rate

\$1,377

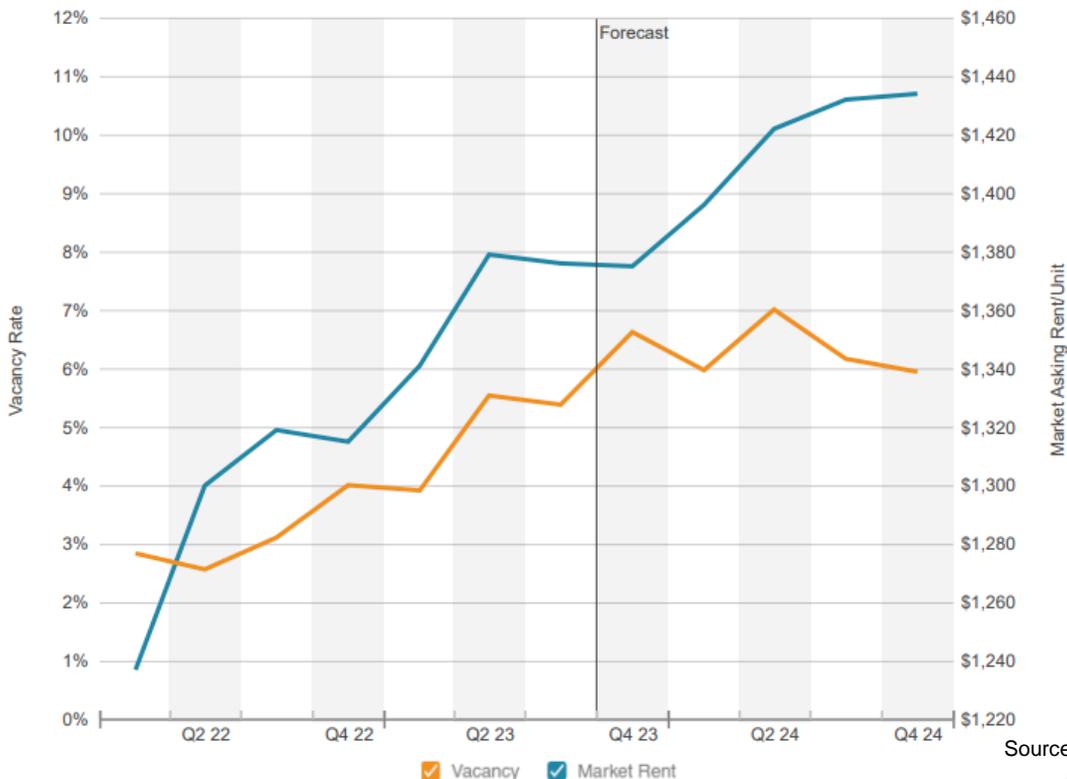
Market Rent/Unit

TIGHT VACANCY RATES CONTINUE

Knoxville's apartment market boasts a tight vacancy rate as of summer 2023. However, the market's performance has been shifting lately, as some of the record-setting figures from 2021 have begun to subside. Namely, demand for apartments has regressed to pre-pandemic levels. All the while, supply additions have been ramping up. Developers have been keen on bringing additional communities to the area and Knoxville's under-construction pipeline is at all-time highs. Driven by the presence of a younger renter cohort, as the area is home to the University of Tennessee and its enrollment of 32,000 students, roughly 3,200 units are underway and expected to open their doors over the next two years. That is likely to bring about additional supply-side pressures, which will result in keeping vacancies aligned with its historical average rate of about 6.5%. In fact, 2023 is on pace to become the loftiest year for deliveries in the past decade, with roughly 2,400 units slated to open their doors by year's end. Recent vacancy expansion, albeit minimal, has already begun to remove some of the sky-high pricing power that property managers have maintained over the past three years. Yet, a slimming from all-time highs has still left four-quarter trailing rent gains above historical norms. Thus, the years of double-digit rent growth are likely in the past. Multifamily investors have taken notice of Knoxville as well. Although transactional activity has slowed in recent months amid an ever-changing lending environment, that has followed one of the most active five-year stretches of multifamily investment in the market's history.

Source: CoStar Group

Vacancy Rates & Rental Rates Per Unit



Source: CoStar Group

Sevierville

+1 865 453 8111

Knoxville

+1 865 531 6400

www.koellamoore.com

Submarket Overview

Outlying Anderson County | \$78.5M Asset Value

Knoxville - TN

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 791 ↑ | Market Asking Rent/Unit | \$841 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 6.5% ↑ |
| 12 Mo Absorp Units | (1) | Market Sale Price/Unit | \$99.2K ↓ |
| Vacancy Rate | 0.4% ↑ | 12 Mo Sales Vol | \$1.2M |

Downtown Knoxville | \$682M Asset Value

Knoxville - TN

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 2,884 ↑ | Market Asking Rent/Unit | \$1,770 ↑ |
| Under Constr Units | 348 ↓ | Annual Rent Growth | 6.4% ↑ |
| 12 Mo Absorp Units | 159 | Market Sale Price/Unit | \$211K ↑ |
| Vacancy Rate | 12.3% ↑ | 12 Mo Sales Vol | \$18.5M ↓ |

Eastern Knox County | \$2.6M Asset Value

Knoxville - TN

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 58 ↓ | Market Asking Rent/Unit | \$687 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 1.2% ↑ |
| 12 Mo Absorp Units | 0 | Market Sale Price/Unit | \$44.5K ↓ |
| Vacancy Rate | 3.2% ↑ | 12 Mo Sales Vol | \$0 ↓ |

Loudon County | \$153M Asset Value

Knoxville - TN

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 785 ↓ | Market Asking Rent/Unit | \$1,400 ↑ |
| Under Constr Units | 166 | Annual Rent Growth | 5.3% ↑ |
| 12 Mo Absorp Units | 157 | Market Sale Price/Unit | \$161K ↓ |
| Vacancy Rate | 2.1% ↓ | 12 Mo Sales Vol | \$415K ↓ |

Maryville/Alcoa | \$738M Asset Value

Knoxville - TN

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 3,925 ↑ | Market Asking Rent/Unit | \$1,252 ↑ |
| Under Constr Units | 508 ↓ | Annual Rent Growth | 7.5% ↑ |
| 12 Mo Absorp Units | 60 | Market Sale Price/Unit | \$167K ↑ |
| Vacancy Rate | 8.5% ↑ | 12 Mo Sales Vol | \$95.2M ↑ |

North Knoxville | \$1.1B Asset Value

Knoxville - TN

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 8,553 ↑ | Market Asking Rent/Unit | \$1,194 ↑ |
| Under Constr Units | 1,184 ↑ | Annual Rent Growth | 6.2% ↑ |
| 12 Mo Absorp Units | 210 | Market Sale Price/Unit | \$113K ↑ |
| Vacancy Rate | 3.4% ↑ | 12 Mo Sales Vol | \$26.3M ↓ |

Oak Ridge | \$280M Asset Value

Knoxville - TN

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 2,432 ↑ | Market Asking Rent/Unit | \$1,126 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 8.5% ↑ |
| 12 Mo Absorp Units | 23 | Market Sale Price/Unit | \$115K ↓ |
| Vacancy Rate | 5.9% ↑ | 12 Mo Sales Vol | \$0 ↓ |

South Knoxville | \$259M Asset Value

Knoxville - TN

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 2,181 ↓ | Market Asking Rent/Unit | \$1,225 ↓ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | -2.6% ↓ |
| 12 Mo Absorp Units | (33) | Market Sale Price/Unit | \$119K ↑ |
| Vacancy Rate | 6.3% ↑ | 12 Mo Sales Vol | \$2.4M ↓ |

West Knoxville | \$2.2B Asset Value

Knoxville - TN

| | | | |
|--------------------|----------|-------------------------|-----------|
| Inventory Units | 14,604 ↑ | Market Asking Rent/Unit | \$1,402 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 4.1% ↑ |
| 12 Mo Absorp Units | 237 | Market Sale Price/Unit | \$154K ↓ |
| Vacancy Rate | 5.7% ↑ | 12 Mo Sales Vol | \$92.7M ↓ |

Western Knox County | \$1.3B Asset Value

Knoxville - TN

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 5,026 ↓ | Market Asking Rent/Unit | \$1,748 ↑ |
| Under Constr Units | 990 ↑ | Annual Rent Growth | 1.5% ↑ |
| 12 Mo Absorp Units | 2 | Market Sale Price/Unit | \$219K ↓ |
| Vacancy Rate | 2.2% ↓ | 12 Mo Sales Vol | \$22.5M ↓ |

Union County | \$1.9M Asset Value

Knoxville - TN

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 42 ↓ | Market Asking Rent/Unit | \$481 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 1.2% ↑ |
| 12 Mo Absorp Units | 0 | Market Sale Price/Unit | \$44.8K ↓ |
| Vacancy Rate | 2.6% ↑ | 12 Mo Sales Vol | \$0 ↓ |

Source: CoStar Group



NAI Koella RM Moore

NAI Koella | RM Moore has been shaping the East Tennessee commercial real estate landscape for **over 40 years** by providing expert, innovative business solutions to the community.

- NAI Koella | RM Moore is a full-service commercial real estate firm offering brokerage, development, advisory, and property management services.
- Our breadth of offerings and solid foundation in the community allows us to better understand and assist our clients in realizing their business objectives.
- At NAI Koella | RM Moore we are driven to create superior relationships and deliver exceptional results, and it is our people and their experience that make this possible.
- Each assignment and collaboration is different, but the keys to success are always the same - commitment and loyalty to our clients, solution-oriented thinking, and integrity in everything we do.

\$212+

Million in Total Volume
(2021)

#1

East Tennessee's Largest
Commercial Real Estate Firm

21

Brokers

3.6 M+

Square Feet of
Property Managed



POWER BROKER

2018 Top Firm Award



POWER BROKER

2018 Top Broker Award

Knoxville Market Facts & Figures

Build Your Business Here!

Population

861,424 Live in Knox Metro
3.7 Million
 (Live w/in 100-mile radius)

9

Counties in
 Knox MSA

Cost of Living

US Average... **100**

Knox Metropolitan Area... **86.4**

Labor Force & Employment

Knox County  **16,227**
2.9% Unemployment Rate



Knox Metro  **13,470**
3.2% Metro Unemployment Rate

Post-Secondary Education

10 # of 4-Year Institutions
 (Including TN's LARGEST & OLDEST)

 The University of Tennessee
30,599 - Fall 2020 Enrollment
9,813 - # of Faculty & Staff

Transportation

- 125** Truck Lines
- 5** Airlines
- 3** Interstates (40, 75, & 81)
- 3** Local River Terminals
- 2** Railroads



Reach  of US Population
 within a day's drive

Directly LINKED to Great Lakes & Gulf of Mexico!



Knoxville MSA Businesses: 34,795

INCLUDING:



Producers of:



ARCONIC

Market Report

Terminology

Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NN basis.

Building Class

Class A product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

All unoccupied lease space, either direct or sublease.

RBA

Rentable building area.

SF/PSF

Square foot/per square foot, used as a unit of measurement.

Sublease

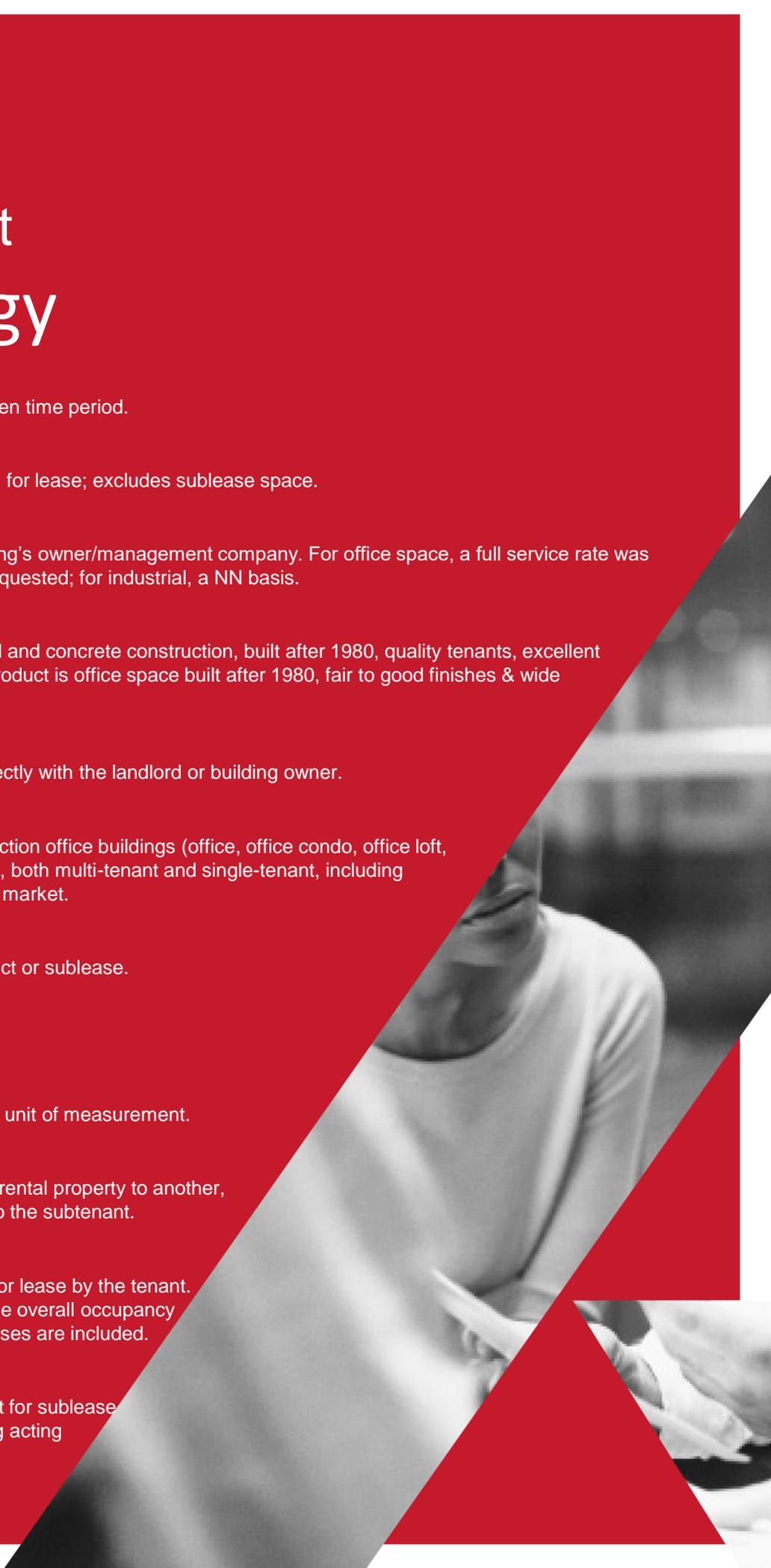
Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by the tenant. Sublease space is not considered in the overall occupancy or absorption numbers - only direct leases are included.

Sublease Vacancy

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.



Q1'23

Knoxville Market Report

The world's largest commercial real estate network.

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