

NAI Koella
RM Moore

Q4 2023

Knoxville Market Report

90.7 M
Inventory SF

568 K
12 Mo Net Absorption SF

1.3%
Vacancy Rate

\$8.33
Market Rent/SF

METRO KNOXVILLE VACANCY RATE LOWEST IN SOUTHEAST REGION

Knoxville's industrial market remains one of the tightest in the nation. At 1.3%, the metro's vacancy rate is several percentage points below the national average of about 5.9%, and the current rate is also well below Knoxville's long-term average rate of just over 5%. Anchoring the metro's recent performance has been the combination of steady demand and a lack of large-scale speculative supply, which has kept industrial vacancies tight. 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. As a result, vacancy has been below 2% since mid-2021. That means that just over 1.3 million SF of industrial space is physically vacant, which is not very much in a market of more than 90 million SF and continues to play into the hands of landlords.

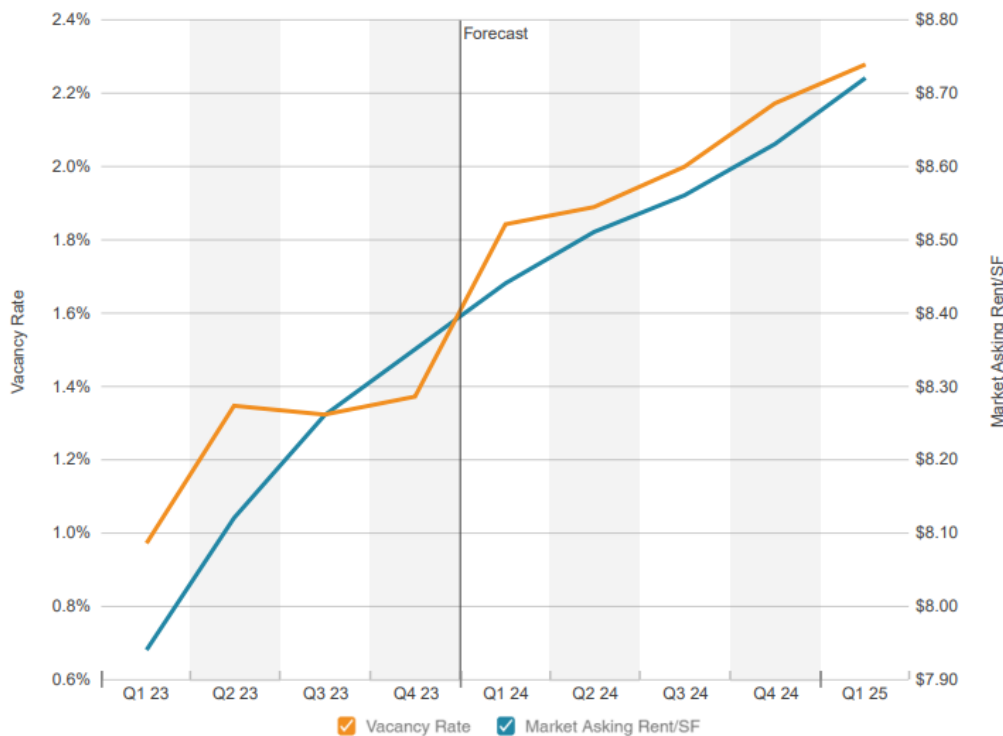
Despite the tight vacancy rate, leasing activity has held steady. More than 2 million SF of industrial space has been leased in 2023, and while that represents a decline compared to the more than 3.5 million SF of space leased last year, that was an all-time high mark for the metro. Leading the way in terms of notable recent deals was the 701,000-SF lease renewal by DENSO at 1720 Robert C Jackson Drive in the second quarter of 2023.

With such limited industrial availability in Knoxville, pricing power has held steady from a landlord's perspective. Asking rents are on pace to grow by at least 8% for the third year in a row in 2023. That is quite lofty, especially considering the market's pre-pandemic annual average growth rate was about 5%. Furthermore, given that more than 75% of the under-construction pipeline is already pre-leased, supply-side pressures are limited. That is likely to pave the way for additional rent gains in the coming quarters, even if demand slows amid recessionary concerns.

While Knoxville is not typically a magnet for institutional investment, activity within the capital markets space has not slowed as much here as it has in other parts of the county. In fact, four-quarter trailing investment activity remained about 15% 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

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Vacancy Rate
 Market Asking Rent/SF

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Submarket Overview

Anderson County | \$871M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|-------|-----------------------|---------|
| Inventory SF | 10.4M | Market Asking Rent/SF | \$7.44 |
| Under Constr SF | 0 | Asking Rent Growth | 7.5% |
| 12 Mo Net Absorp SF | 839 | Market Sale Price/SF | \$84 |
| Vacancy Rate | 0.5% | 12 Mo Sales Vol | \$47.9M |

Bearden/Papermill/W Town | \$473M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|--------|
| Inventory SF | 5.6M | Market Asking Rent/SF | \$8.94 |
| Under Constr SF | 0 | Asking Rent Growth | 7.9% |
| 12 Mo Net Absorp SF | (71.1K) | Market Sale Price/SF | \$85 |
| Vacancy Rate | 1.5% | 12 Mo Sales Vol | \$9.8M |

Blount County | \$1.1B Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|---------|
| Inventory SF | 14.5M | Market Asking Rent/SF | \$8.72 |
| Under Constr SF | 805K | Asking Rent Growth | 7.4% |
| 12 Mo Net Absorp SF | (11.9K) | Market Sale Price/SF | \$75 |
| Vacancy Rate | 0.4% | 12 Mo Sales Vol | \$14.1M |

Campbell Station/Farragut | \$15.6M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|------|-----------------------|--------|
| Inventory SF | 147K | Market Asking Rent/SF | \$9.47 |
| Under Constr SF | 0 | Asking Rent Growth | 6.5% |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$106 |
| Vacancy Rate | 0% | 12 Mo Sales Vol | \$0 |

Cedar Bluff/Walker Spgs | \$35M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|------|-----------------------|--------|
| Inventory SF | 389K | Market Asking Rent/SF | \$9.97 |
| Under Constr SF | 0 | Asking Rent Growth | 7.1% |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$90 |
| Vacancy Rate | 0% | 12 Mo Sales Vol | \$0 |

Downtown | \$124M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|-------|-----------------------|--------|
| Inventory SF | 2.2M | Market Asking Rent/SF | \$6.28 |
| Under Constr SF | 0 | Asking Rent Growth | 8.2% |
| 12 Mo Net Absorp SF | 21.1K | Market Sale Price/SF | \$56 |
| Vacancy Rate | 0.2% | 12 Mo Sales Vol | \$7.4M |

East | \$254M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|------|-----------------------|--------|
| Inventory SF | 3M | Market Asking Rent/SF | \$7.60 |
| Under Constr SF | 0 | Asking Rent Growth | 8.2% |
| 12 Mo Net Absorp SF | 234 | Market Sale Price/SF | \$86 |
| Vacancy Rate | 1.7% | 12 Mo Sales Vol | \$3.9M |

Loudon County | \$459M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|------|-----------------------|--------|
| Inventory SF | 7.1M | Market Asking Rent/SF | \$7.74 |
| Under Constr SF | 209K | Asking Rent Growth | 8.1% |
| 12 Mo Net Absorp SF | 315K | Market Sale Price/SF | \$63 |
| Vacancy Rate | 0.9% | 12 Mo Sales Vol | \$1.2M |

North/Broadway | \$1.4B Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|---------|
| Inventory SF | 19M | Market Asking Rent/SF | \$8.26 |
| Under Constr SF | 276K | Asking Rent Growth | 7.7% |
| 12 Mo Net Absorp SF | (116K) | Market Sale Price/SF | \$74 |
| Vacancy Rate | 1.7% | 12 Mo Sales Vol | \$18.7M |

North/Emory Road | \$181M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|-------|-----------------------|--------|
| Inventory SF | 2.1M | Market Asking Rent/SF | \$9.76 |
| Under Constr SF | 0 | Asking Rent Growth | 6.4% |
| 12 Mo Net Absorp SF | 69.3K | Market Sale Price/SF | \$87 |
| Vacancy Rate | 1.5% | 12 Mo Sales Vol | \$0 |

Pellissippi/Lovell | \$996M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|------|-----------------------|---------|
| Inventory SF | 9.6M | Market Asking Rent/SF | \$10.89 |
| Under Constr SF | 163K | Asking Rent Growth | 7.8% |
| 12 Mo Net Absorp SF | 138K | Market Sale Price/SF | \$102 |
| Vacancy Rate | 0.6% | 12 Mo Sales Vol | \$39M |

South | \$722M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|---------|
| Inventory SF | 9.5M | Market Asking Rent/SF | \$7.33 |
| Under Constr SF | 0 | Asking Rent Growth | 7.7% |
| 12 Mo Net Absorp SF | (164K) | Market Sale Price/SF | \$76 |
| Vacancy Rate | 4.4% | 12 Mo Sales Vol | \$12.6M |

Union County | \$29M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|------|-----------------------|--------|
| Inventory SF | 490K | Market Asking Rent/SF | \$9.35 |
| Under Constr SF | 0 | Asking Rent Growth | 6.9% |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$59 |
| Vacancy Rate | 0% | 12 Mo Sales Vol | \$800K |

Source: CoStar Group

37.5 M
Inventory SF

126K
12 Mo Net Absorption SF

3.8%
Vacancy Rate

\$20.77
Market Rent/SF



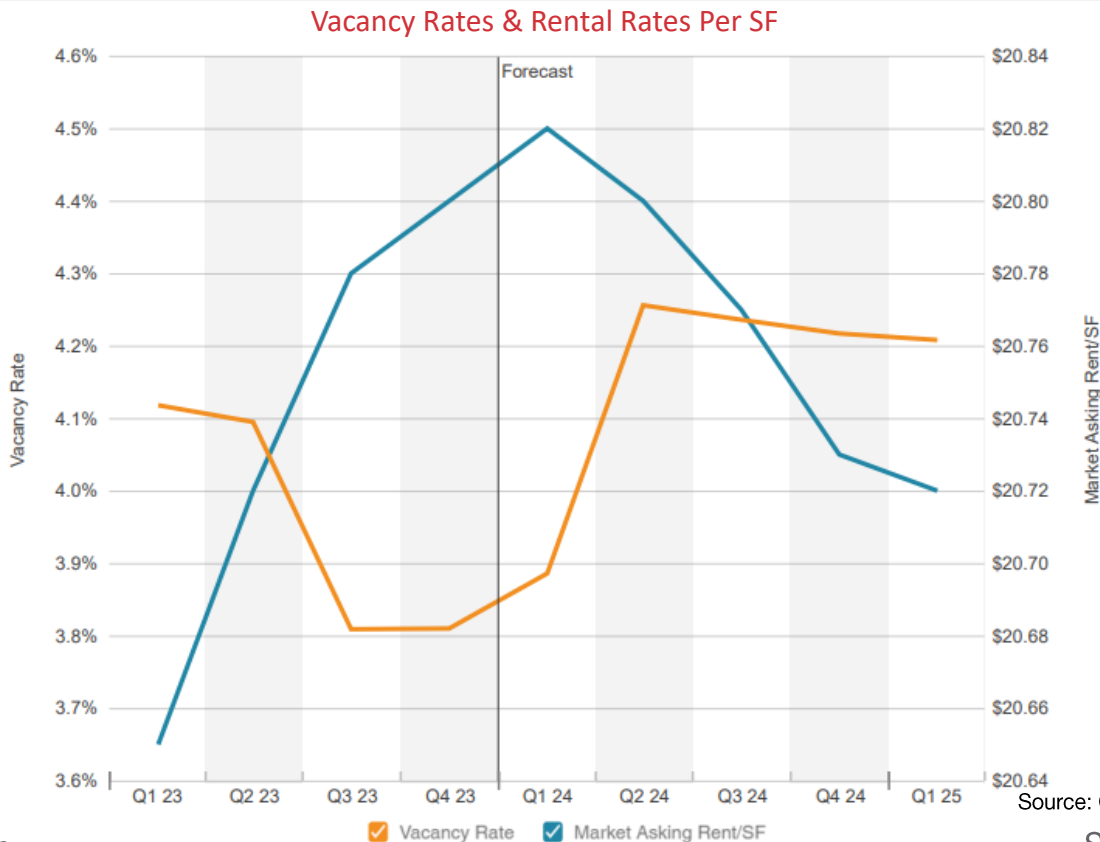
OFFICE DEMAND STABILIZED BUT STILL MUTED

Demand for office space in Knoxville has started to pick back up over the past two years but remains muted overall. In fact, had it not been for the removal of more than 400,000 SF of office space since the beginning of 2020, the market's vacancy rate would likely be drastically higher than the current rate of 3.7%. 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 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 has coincided with an uptick in office leasing activity in both 2021 and 2022. However, that seems to have been short-lived, as recent leasing trends displayed a slimming. By the close of the third quarter of 2023, Knoxville's four-quarter trailing leasing activity came in at about 825,000 SF. That represented a year-over-year slowing of leasing activity by about 30% and also fell short of the metro's pre-pandemic four-quarter trailing average by about 15%.

Despite the tight vacancy, coupled with an under-construction pipeline that is nearly fully committed to, uncertainty surrounding future office-using needs has resulted in a slowing of rent growth. For example, asking rents barely grew in each of the first three quarters of the year. In turn, four-quarter trailing rent growth stands at 1.5%, which is below the metro's rate of 5.9% from this time last year.

Within the capital markets, investors have still been active thus far in 2023. In fact, by the end of the third quarter, the metro's four-quarter trailing sales activity came in just above 110 deals. That largely aligned with Knoxville's pre-pandemic average, but it was also a total that declined by about 40% year over year.



Source: CoStar Group

Submarket Overview

Anderson County | \$311M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 3.1M ↓ | Market Asking Rent/SF | \$19.59 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.6% ↑ |
| 12 Mo Net Absorp SF | (99.3K) | Market Sale Price/SF | \$99 ↓ |
| Vacancy Rate | 4.6% ↑ | 12 Mo Sales Vol | \$20.2M ↓ |

Bearden/Papermill/W Town | \$831M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 5.9M ↓ | Market Asking Rent/SF | \$22.60 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.6% ↑ |
| 12 Mo Net Absorp SF | 2.2K | Market Sale Price/SF | \$141 ↓ |
| Vacancy Rate | 4.5% ↓ | 12 Mo Sales Vol | \$32.8M ↓ |

Blount County | \$386M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 3.3M ↓ | Market Asking Rent/SF | \$18.77 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.8% ↑ |
| 12 Mo Net Absorp SF | 27.1K | Market Sale Price/SF | \$116 ↓ |
| Vacancy Rate | 2.4% ↓ | 12 Mo Sales Vol | \$15.3M ↑ |

Campbell Station/Farragut | \$160M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 999K ↓ | Market Asking Rent/SF | \$23.62 ↑ |
| Under Constr SF | 37.8K ↓ | Asking Rent Growth | 2.0% ↑ |
| 12 Mo Net Absorp SF | 13.1K | Market Sale Price/SF | \$154 ↓ |
| Vacancy Rate | 6.3% ↓ | 12 Mo Sales Vol | \$1.9M ↓ |

Cedar Bluff/Walker Spgs | \$392M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 3M ↓ | Market Asking Rent/SF | \$20.74 ↑ |
| Under Constr SF | 25K | Asking Rent Growth | 1.2% ↑ |
| 12 Mo Net Absorp SF | (56.8K) | Market Sale Price/SF | \$128 ↓ |
| Vacancy Rate | 5.1% ↑ | 12 Mo Sales Vol | \$35.8M ↑ |

Downtown | \$738M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 5.1M ↓ | Market Asking Rent/SF | \$21.15 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.5% ↑ |
| 12 Mo Net Absorp SF | 62.2K | Market Sale Price/SF | \$144 ↓ |
| Vacancy Rate | 2.7% ↓ | 12 Mo Sales Vol | \$9.5M ↓ |

East | \$31.8M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 267K ↓ | Market Asking Rent/SF | \$17.46 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.0% ↑ |
| 12 Mo Net Absorp SF | (68) | Market Sale Price/SF | \$119 ↑ |
| Vacancy Rate | 2.1% ↑ | 12 Mo Sales Vol | \$1.1M ↑ |

Loudon County | \$124M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 962K ↓ | Market Asking Rent/SF | \$20.76 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.6% ↑ |
| 12 Mo Net Absorp SF | (16K) | Market Sale Price/SF | \$129 ↓ |
| Vacancy Rate | 6.1% ↑ | 12 Mo Sales Vol | \$325K ↓ |

North/Broadway | \$569M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 4.7M ↑ | Market Asking Rent/SF | \$18.84 ↑ |
| Under Constr SF | 5K ↓ | Asking Rent Growth | 1.5% ↑ |
| 12 Mo Net Absorp SF | 72K | Market Sale Price/SF | \$122 ↓ |
| Vacancy Rate | 2.8% ↓ | 12 Mo Sales Vol | \$9.7M ↓ |

North/Emory Road | \$96.4M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 691K ↓ | Market Asking Rent/SF | \$22.43 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.6% ↑ |
| 12 Mo Net Absorp SF | 14.7K | Market Sale Price/SF | \$139 ↓ |
| Vacancy Rate | 3.1% ↓ | 12 Mo Sales Vol | \$900K ↓ |

Pellissippi/Lovell | \$744M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 5.3M ↑ | Market Asking Rent/SF | \$22.31 ↑ |
| Under Constr SF | 136K ↑ | Asking Rent Growth | 1.7% ↑ |
| 12 Mo Net Absorp SF | (19.5K) | Market Sale Price/SF | \$138 ↓ |
| Vacancy Rate | 5.0% ↑ | 12 Mo Sales Vol | \$20.5M ↑ |

South | \$257M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 1.9M ↓ | Market Asking Rent/SF | \$19.70 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.6% ↑ |
| 12 Mo Net Absorp SF | 22.5K | Market Sale Price/SF | \$133 ↑ |
| Vacancy Rate | 1.4% ↓ | 12 Mo Sales Vol | \$2.9M ↓ |

Union County | \$18.1M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 174K ↓ | Market Asking Rent/SF | \$20.40 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 1.2% ↑ |
| 12 Mo Net Absorp SF | 0 | Market Sale Price/SF | \$104 ↓ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$504K ↑ |

Source: CoStar Group

Knoxville

+1 865 531 6400

www.koellamoore.com

Sevierville

+1 865 453 8111

60.7 M
Inventory SF

153 K
12 Mo Net Absorption SF

3.0%
Vacancy Rate

\$18.10
Market Rent/SF

RETAIL MARKET IN HEALTHY POSITION

Vacancy in the Knoxville retail market is 3.0% and has increased by 0.3% over the past 12 months. During this period, 300,000 SF has delivered, and 130,000 SF has been absorbed. Total availability, which includes sublease space, is 3.6% of all inventory.

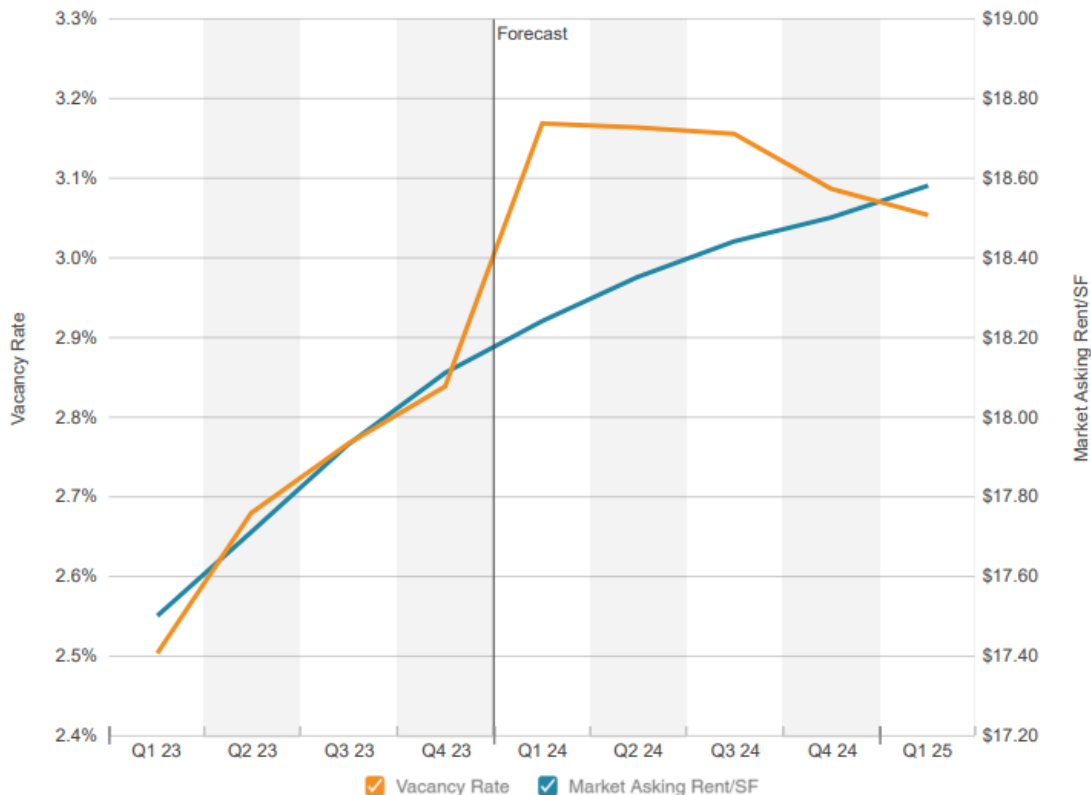
Within this market, General Retail is the largest subtype, with 34.9 million SF in this category.

Rents are around \$18.10/SF, which is a 4.6% increase from where they were a year ago. In the past three years, rents have increased a cumulative 15.3%.

About 220,000 SF is under construction, representing a minor 0.4% expansion of inventory. In the past 12 months, 208 sales have taken place. Sales have averaged \$180/SF, and the estimated value for the market as a whole is \$173/SF. Over the past three years, there have been 750 sales, which have traded for approximately \$905 million. During this time, the market cap rate for Knoxville has edged down to 7.4%, marginally lower than its trailing three-year average of 7.5%. Employment and population trends are uneven. The number of jobs has increased 1.7% in the past year, whereas population growth is nearly flat, having moved just -0.1%.

Source: CoStar Group

Vacancy Rates & Rental Rates Per SF



Source: CoStar Group

Submarket Overview

Anderson County | \$1B Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 6M ↑ | Market Asking Rent/SF | \$16.65 ↑ |
| Under Constr SF | 12K ↓ | Asking Rent Growth | 4.5% ↑ |
| 12 Mo Net Absorp SF | 96.1K | Market Sale Price/SF | \$173 ↑ |
| Vacancy Rate | 1.7% ↓ | 12 Mo Sales Vol | \$15.5M ↓ |

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

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 6.4M ↑ | Market Asking Rent/SF | \$23.76 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 5.4% ↑ |
| 12 Mo Net Absorp SF | 59K | Market Sale Price/SF | \$189 ↑ |
| Vacancy Rate | 2.3% ↓ | 12 Mo Sales Vol | \$12.5M ↓ |

Blount County | \$1.3B Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 7.5M ↑ | Market Asking Rent/SF | \$17.02 ↑ |
| Under Constr SF | 63.9K ↓ | Asking Rent Growth | 4.2% ↑ |
| 12 Mo Net Absorp SF | 68.9K | Market Sale Price/SF | \$170 ↑ |
| Vacancy Rate | 3.8% ↑ | 12 Mo Sales Vol | \$38.8M ↑ |

Campbell Station/Farragut | \$817M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 3.9M ↑ | Market Asking Rent/SF | \$25.14 ↑ |
| Under Constr SF | 58.7K ↑ | Asking Rent Growth | 5.5% ↑ |
| 12 Mo Net Absorp SF | 20.6K | Market Sale Price/SF | \$207 ↑ |
| Vacancy Rate | 2.3% ↓ | 12 Mo Sales Vol | \$3.1M ↓ |

Cedar Bluff/Walker Spgs | \$442M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 2.5M ↓ | Market Asking Rent/SF | \$21.03 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 5.6% ↑ |
| 12 Mo Net Absorp SF | (5.7K) | Market Sale Price/SF | \$175 ↑ |
| Vacancy Rate | 2.5% ↑ | 12 Mo Sales Vol | \$9.3M ↑ |

Downtown | \$494M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 2.2M ↓ | Market Asking Rent/SF | \$23.03 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 4.9% ↑ |
| 12 Mo Net Absorp SF | (36.5K) | Market Sale Price/SF | \$227 ↑ |
| Vacancy Rate | 8.1% ↑ | 12 Mo Sales Vol | \$18.7M ↓ |

East | \$227M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 1.6M ↓ | Market Asking Rent/SF | \$12.57 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 4.0% ↑ |
| 12 Mo Net Absorp SF | 3.1K | Market Sale Price/SF | \$142 ↑ |
| Vacancy Rate | 2.0% ↓ | 12 Mo Sales Vol | \$715K ↓ |

Loudon County | \$479M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 2.8M ↑ | Market Asking Rent/SF | \$17.11 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 4.4% ↑ |
| 12 Mo Net Absorp SF | 16.2K | Market Sale Price/SF | \$173 ↑ |
| Vacancy Rate | 0.5% ↓ | 12 Mo Sales Vol | \$5.8M ↓ |

North/Broadway | \$1.8B Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 10.9M ↑ | Market Asking Rent/SF | \$17.61 ↑ |
| Under Constr SF | 11K ↑ | Asking Rent Growth | 4.5% ↑ |
| 12 Mo Net Absorp SF | 60.3K | Market Sale Price/SF | \$168 ↑ |
| Vacancy Rate | 3.8% ↓ | 12 Mo Sales Vol | \$29.1M ↓ |

North/Emory Road | \$296M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 1.5M ↑ | Market Asking Rent/SF | \$19.65 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 4.3% ↑ |
| 12 Mo Net Absorp SF | 6.8K | Market Sale Price/SF | \$204 ↑ |
| Vacancy Rate | 2.7% ↑ | 12 Mo Sales Vol | \$6.1M ↑ |

Pellissippi/Lovell | \$995M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|---------|-----------------------|-----------|
| Inventory SF | 5.1M ↑ | Market Asking Rent/SF | \$20.99 ↑ |
| Under Constr SF | 53.5K ↓ | Asking Rent Growth | 5.2% ↑ |
| 12 Mo Net Absorp SF | (43.4K) | Market Sale Price/SF | \$194 ↑ |
| Vacancy Rate | 2.8% ↑ | 12 Mo Sales Vol | \$12M ↓ |

South | \$543M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 4.3M ↓ | Market Asking Rent/SF | \$12.91 ↑ |
| Under Constr SF | 0 ↓ | Asking Rent Growth | 4.4% ↑ |
| 12 Mo Net Absorp SF | (123K) | Market Sale Price/SF | \$127 ↑ |
| Vacancy Rate | 5.6% ↑ | 12 Mo Sales Vol | \$14.6M ↑ |

Union County | \$90.7M Asset Value

Knoxville - TN (USA)

| | | | |
|---------------------|--------|-----------------------|-----------|
| Inventory SF | 507K ↓ | Market Asking Rent/SF | \$14.93 ↑ |
| Under Constr SF | 10.6K | Asking Rent Growth | 3.3% ↑ |
| 12 Mo Net Absorp SF | 2.3K | Market Sale Price/SF | \$175 ↑ |
| Vacancy Rate | 0% ↓ | 12 Mo Sales Vol | \$0 ↓ |

Source: CoStar Group

42,813
Inventory Units

915
12 Mo Net Absorption Units

6.6%
Vacancy Rate

\$1,373
Market Rent/Unit



TIGHT VACANCY RATES CONTINUE

Knoxville's apartment market performance has been shifting lately, as a record-setting wave of supply has been the central theme. Demand for those apartments has actually increased year over year and is outpacing historical norms. Yet, that still has not been enough to offset the arrival of 2,100 units over the past four quarters, and vacancies are on the rise.

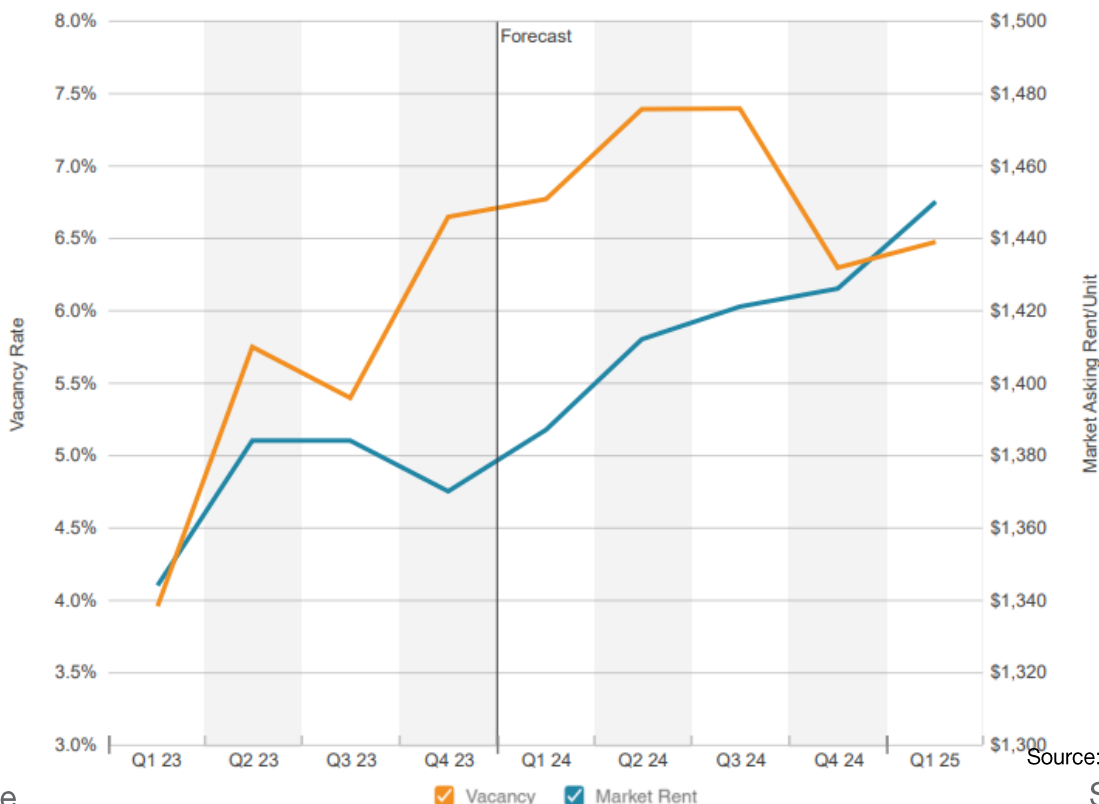
Developers have been keen on bringing additional communities to the area, and for the first time in the past 15 years, more than 2,000 units are slated to open their doors by year's end. That allure by developers is often driven by the presence of a younger renter cohort, particularly in places like Downtown Knoxville, as the area is home to the University of Tennessee and its enrollment of 32,000 students.

Recent deliveries, coupled with roughly 3,000 units underway, mean that supply-side pressures are likely to remain present for at least the next 18 months. That has already served to remove some pricing power, as asking rents were flat in the third quarter. However, given how tight the market's vacancy rate was prior to this wave of supply, some wiggle room was baked in. Thus, year-over-year rent declines are not expected for the near term, and 2024 may see asking rents grow by at least 3% yet again.

The rise in interest rates over the past year and a half has stymied investment activity though. By the end of the third quarter of 2023, the metro's four-quarter trailing sales activity total came in about 5% below pre-pandemic norms and had also declined by about 50% year over year.

Vacancy Rates & Rental Rates Per Unit

Source: CoStar Group



Source: CoStar Group

Submarket Overview

Outlying Anderson County | \$61.5M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 791 ↑ | Market Asking Rent/Unit | \$842 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 4.5% ↑ |
| 12 Mo Absorp Units | (2) | Market Sale Price/Unit | \$77.8K ↓ |
| Vacancy Rate | 0.5% ↑ | 12 Mo Sales Vol | \$1.2M |

Downtown Knoxville | \$683M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 2,884 ↑ | Market Asking Rent/Unit | \$1,721 ↑ |
| Under Constr Units | 348 ↓ | Annual Rent Growth | 2.3% ↑ |
| 12 Mo Absorp Units | 202 | Market Sale Price/Unit | \$211K ↑ |
| Vacancy Rate | 10.9% ↑ | 12 Mo Sales Vol | \$124M ↑ |

Eastern Knox County | \$2.5M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 58 ↓ | Market Asking Rent/Unit | \$688 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 0.8% ↑ |
| 12 Mo Absorp Units | 0 | Market Sale Price/Unit | \$43.6K ↓ |
| Vacancy Rate | 3.2% ↑ | 12 Mo Sales Vol | \$0 ↓ |

Loudon County | \$151M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 785 ↓ | Market Asking Rent/Unit | \$1,402 ↑ |
| Under Constr Units | 166 | Annual Rent Growth | 4.5% ↑ |
| 12 Mo Absorp Units | 72 | Market Sale Price/Unit | \$159K ↓ |
| Vacancy Rate | 1.8% ↓ | 12 Mo Sales Vol | \$415K |

Maryville/Alcoa | \$794M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 3,941 ↑ | Market Asking Rent/Unit | \$1,248 ↑ |
| Under Constr Units | 498 ↓ | Annual Rent Growth | 7.8% ↑ |
| 12 Mo Absorp Units | 62 | Market Sale Price/Unit | \$179K ↑ |
| Vacancy Rate | 8.1% ↑ | 12 Mo Sales Vol | \$99M ↑ |

North Knoxville | \$1.1B Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 8,643 ↑ | Market Asking Rent/Unit | \$1,207 ↑ |
| Under Constr Units | 1,134 ↑ | Annual Rent Growth | 5.9% ↑ |
| 12 Mo Absorp Units | 291 | Market Sale Price/Unit | \$114K ↓ |
| Vacancy Rate | 4.7% ↑ | 12 Mo Sales Vol | \$26.7M ↓ |

Oak Ridge | \$281M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 2,432 ↓ | Market Asking Rent/Unit | \$1,127 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 3.9% ↑ |
| 12 Mo Absorp Units | 80 | Market Sale Price/Unit | \$116K ↓ |
| Vacancy Rate | 4.1% ↓ | 12 Mo Sales Vol | \$0 ↓ |

South Knoxville | \$262M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 2,181 ↓ | Market Asking Rent/Unit | \$1,200 ↓ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | -2.3% ↓ |
| 12 Mo Absorp Units | (13) | Market Sale Price/Unit | \$120K ↓ |
| Vacancy Rate | 5.7% ↑ | 12 Mo Sales Vol | \$2.4M ↓ |

West Knoxville | \$2.2B Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|----------|-------------------------|-----------|
| Inventory Units | 14,672 ↑ | Market Asking Rent/Unit | \$1,399 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 3.2% ↑ |
| 12 Mo Absorp Units | 362 | Market Sale Price/Unit | \$152K ↓ |
| Vacancy Rate | 5.2% ↑ | 12 Mo Sales Vol | \$32.3M ↓ |

Western Knox County | \$1.3B Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|---------|-------------------------|-----------|
| Inventory Units | 5,477 ↑ | Market Asking Rent/Unit | \$1,727 ↑ |
| Under Constr Units | 832 ↑ | Annual Rent Growth | 2.1% ↑ |
| 12 Mo Absorp Units | (129) | Market Sale Price/Unit | \$213K ↓ |
| Vacancy Rate | 13.4% ↑ | 12 Mo Sales Vol | \$22.5M ↓ |

Union County | \$1.8M Asset Value

Knoxville - TN (USA)

| | | | |
|--------------------|--------|-------------------------|-----------|
| Inventory Units | 42 ↓ | Market Asking Rent/Unit | \$482 ↑ |
| Under Constr Units | 0 ↓ | Annual Rent Growth | 0.8% ↑ |
| 12 Mo Absorp Units | 0 | Market Sale Price/Unit | \$43.6K ↓ |
| Vacancy Rate | 2.7% ↑ | 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
(2022)

#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:



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.



Q4'23

Knoxville Market Report

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