KNOXVILLE
MULTIFAMILY REPORT

SECOND QUARTER 2019

MARKET AT A GLANCE

OCCUPANCY RATE 96.1%

Down **40 bsp** since 2Q18

EFFECTIVE RENT $888

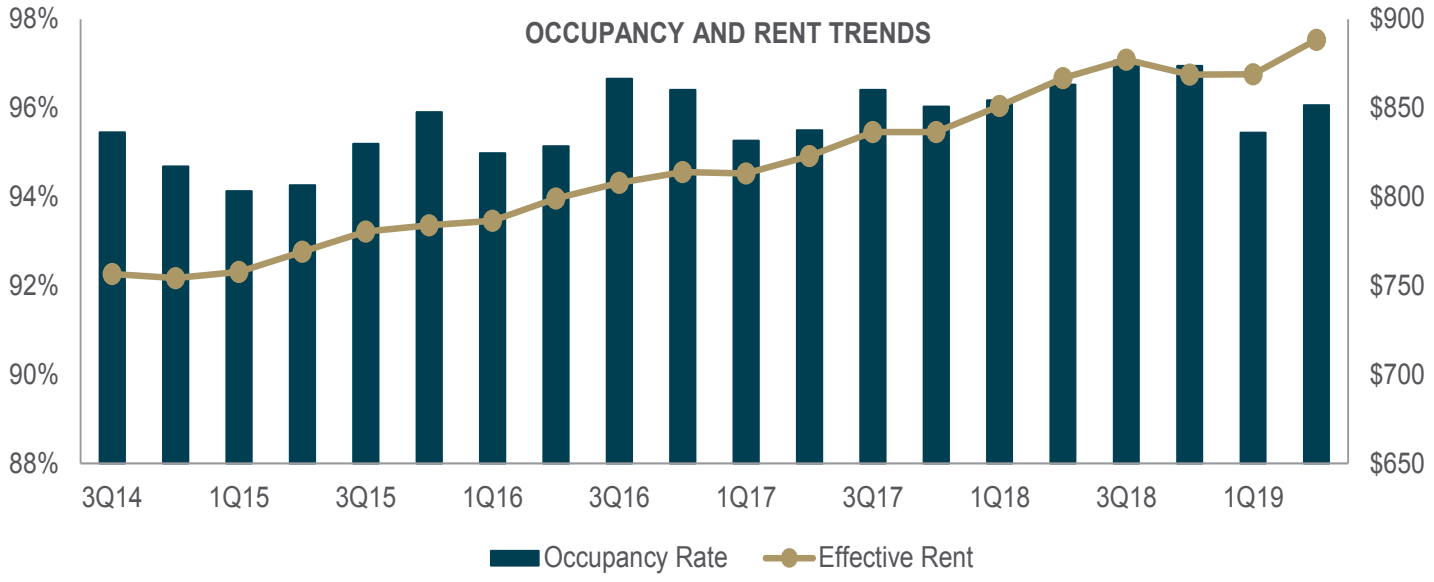
Up **2.5%** since 2Q18

TOTAL INVENTORY 51,190

OCCUPANCY AND RENT TRENDS

KNOXVILLE EXPERIENCED ELEVATED DEMAND FOR MULTIFAMILY DURING 2Q

Apartment demand in the Knoxville metro was substantial during the second quarter of 2019. The 763 units absorbed by residents was more than four times the five-year average for the second quarter and outpaced the 468 units delivered in the last three months. Job growth in both the leisure and hospitality and the manufacturing sectors contributed to the demand for multifamily housing, as did the metro's low cost of living and the presence of the University of Tennessee. Occupancy improved to 96.1%, up 70 basis points from the previous quarter, thanks to demand for multifamily ramping up in every submarket. Renters absorbed the most units in the Southwest Knoxville submarket, which borders both Downtown Knoxville and the university. Developers have targeted the area, looking to capture spillover demand from residents seeking to be close to the metro's emerging urban core. Also supporting demand for multifamily housing in the Southwest Knoxville submarket was its proximity to Market Square, one of the metro's centers for culture and commerce. Apartment operators raised effective rent metrowide 2.2%, up to $888 per month in the second quarter, due to the metro's rising occupancy performance.

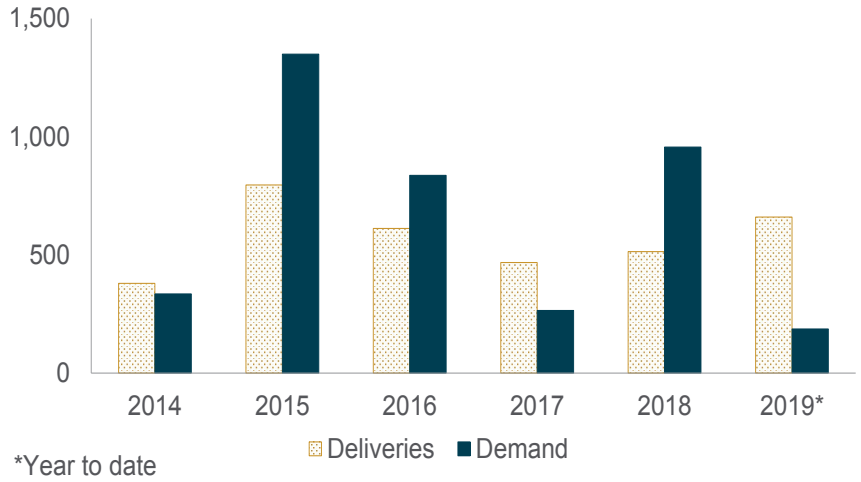


KNOXVILLE
MULTIFAMILY REPORT

DELIVERIES AND DEMAND

DELIVERIES 660
Units YTD

NET ABSORPTION 187
Units YTD



ECONOMIC TRENDS

	2018		2019
UNEMPLOYMENT*	3.4%	-30 BPS CHANGE	3.1%
EMPLOYMENT*	398.7k	2.2% CHANGE	407.3k
EXISTING SFH SALES**	17.0k	-5.9% CHANGE	16.0k
MEDIAN SFH PRICE**	$185.2k	7.9% CHANGE	$199.9k
10-YEAR TREASURY**	2.91%	-80 BPS CHANGE	2.07%

*April; **June

A recent surge in high-end hotel development played a central role in the Knoxville metro's workforce expanding 2.2%, an annual gain of 8,600 new jobs through April 2019. Major metro-area hotel projects that debuted during this period included the 232-room The Courtyard and Residence Inn Knoxville Downtown, the award-winning Margaritaville Resort in Gatlinburg, and the newly renovated and reopened Country Inn & Suites by Radisson in Pigeon Gorge. Advance hiring at these hotel locations contributed to the 2,500 new jobs that were created in the leisure and hospitality sector. Industry payrolls in the sector expanded 5.9% year over year. There was also significant job growth in the metro's rebounding manufacturing industry. Companies in the sector hired 1,800 new workers since April 2018, a 4.6% annual gain. Expansion by companies like forklift manufacturer Crown Equipment Corp. and auto parts manufacturer DENSO contributed to the elevated hiring in the sector. Strong hiring by Knoxville employers also had a positive impact on unemployment, which fell 30 basis points annually to 3.1%.

SUBMARKET BREAKDOWN

	OCCUPANCY		AVG RENT CHANGE		AVG RENT		NET ABSORPTION		DELIVERED UNITS	
SUBMARKET NAME	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19	2Q19	ANNUAL	2Q19	ANNUAL
Downtown/University/South Knoxville	96.1%	97.2%	5.6%	1.6%	$903	$917	163	389	131	303
North Knoxville	97.6%	97.0%	3.7%	5.0%	$755	$793	45	-58	0	33
Southwest Knoxville	96.0%	96.4%	5.7%	0.9%	$946	$954	398	272	230	230
West Knoxville	96.1%	94.1%	6.3%	2.0%	$892	$910	158	166	107	474
TOTALS	96.5%	96.1%	5.3%	2.5%	$867	$888	763	770	468	1,040

© 2019 Berkadia Real Estate Advisors LLC
Berkadia® is a registered trademark of Berkadia Proprietary Holding LLC
Document sources: Axiometrics; Berkadia Research; Federal Reserve Bank of St. Louis; Moody's

BERKADIA®

CORPORATE HEADQUARTERS
521 Fifth Avenue
20th Floor
New York, NY 10175
(646) 600-7800 | Fax: (646) 600-7838
www.Berkadia.com

a Berkshire Hathaway and Jefferies Financial Group company

© 2019 Berkadia Proprietary Holding LLC
Berkadia® is a trademark of Berkadia Proprietary Holding LLC.
Axiometrics® is a trademark of Axiometrics Inc.
Commercial mortgage loan origination and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This website is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales and real estate brokerage businesses are conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. For state licensing details for the above entities, visit: www.berkadia.com/legal/licensing.aspx