



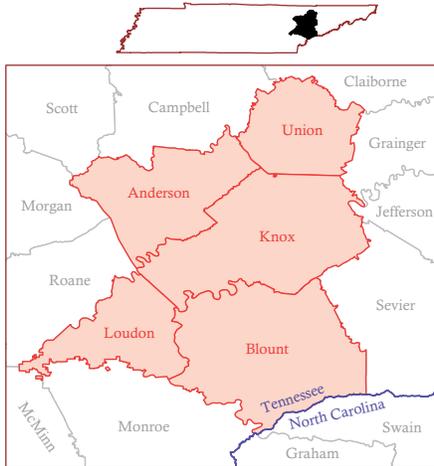
Knoxville, Tennessee

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2014



Summary

Housing Market Area



The Knoxville Housing Market Area (HMA), coterminous with the Knoxville, TN Metropolitan Statistical Area, is home to the University of Tennessee, the U.S. Department of Energy (DOE) at Oak Ridge Reservation, and several auto parts manufacturers. For purposes of this report, the HMA comprises Anderson, Blount, Knox, Loudon, and Union Counties. The principal city of Knoxville is in Knox County.

Market Details

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Economy

The economy of the Knoxville HMA has improved since 2010, reaching 338,500 nonfarm payrolls during the 12 months ending September 2014, slightly more than the peak of 336,300 recorded in 2007 and 2008. During the 12 months ending September 2014, nonfarm payrolls increased by 7,000 jobs, or 2.1 percent, compared with nonfarm payrolls during the 12 months ending September 2013. The average unemployment rate during the 12 months ending September 2014 was 6.0 percent, down from 6.9 percent in the previous 12 months. Table DP-1 at the end of this report includes population and employment data for the HMA.

Sales Market

The overall sales housing market in the HMA is soft, with an estimated 1.9-percent vacancy rate, down from 2.9 percent in April 2010. During the 12 months ending September 2014, approximately 13,200 new and existing homes sold, a decrease of nearly 2 percent compared with the number sold a year ago (CoreLogic, Inc., with adjustments by the analyst). The average price for new and existing homes sold was \$172,800, an increase of nearly 7 percent from a year ago. During the 3-year forecast period, demand is

expected for 4,975 new homes in the HMA (Table 1). The 790 homes currently under construction and a portion of the estimated 14,000 other vacant units in the HMA that may reenter the market will satisfy some of the forecast demand.

Rental Market

The overall rental housing market in the HMA is balanced, with an estimated vacancy rate of 7.5 percent, down from 10.3 percent in April 2010. Demand is estimated for 3,050 new market-rate rental units in the Knoxville HMA during the forecast period (Table 1). The 690 units currently under construction will satisfy a portion of the forecast demand.

Table 1. Housing Demand in the Knoxville HMA During the Forecast Period

	Knoxville HMA	
	Sales Units	Rental Units
Total demand	4,975	3,050
Under construction	790	690

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2014. A portion of the estimated 14,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 200 mobile homes. The forecast period is October 1, 2014, to October 1, 2017.

Source: Estimates by analyst

Economic Conditions

Gains in the professional and business services and the education and health services sectors since the end of 2009 have helped the Knoxville HMA recover all the job losses sustained during 2009. The national recession, which lasted from December 2007 until June 2009, resulted in stagnant job growth in the HMA during 2008 and then a decline in 2009 of 15,100 jobs, or 4.5 percent. Most of the losses during 2009 were in the manufacturing and the wholesale and retail trade sectors, which lost 5,300 and 4,200 jobs, or 15.1 and 6.9 percent, respectively. The economic recovery started slowly in 2010, when nonfarm

payroll growth was moderate; the number of jobs increased by 1,400, or 0.4 percent, from the previous year. The recovery gained momentum in 2011, when the number of jobs increased by 6,400, or nearly 2 percent, before slowing again in 2012 and 2013, when nonfarm payrolls increased by an average of 1,550 jobs, or 0.5 percent, annually. Since the end of 2009, the professional and business services and the education and health services sectors have increased by averages of 1,925 and 500 jobs, or average annual rates of 4.2 and 1.1 percent, respectively. During the 12 months ending September 2014, nonfarm payrolls increased by 7,000 jobs, or 2.1 percent, to 338,500, more than the peak of 336,300 jobs recorded in 2007 and 2008 (Table 2). The unemployment rate in the HMA was 6.0 percent during the 12 months ending September 2014, down from 6.9 percent during the 12 months ending September 2013. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2013.

Before the downturn affected the HMA, nonfarm payrolls in the HMA increased by an average of 4,975 jobs, or 1.5 percent, annually from the end of 2003 through 2007. The wholesale and retail trade and the education and health services sectors led job gains, increasing by averages of 1,425 and 1,400 jobs, or 2.4 and 3.4 percent, annually, respectively. The mining, logging, and construction sector increased by an average of 800 jobs, or 4.8 percent, annually during this period. From the end of 2007 through 2009, however, when the housing bubble burst, the mining, logging, and construction sector declined by an average of 1,350 jobs, or 7.4 percent, annually.

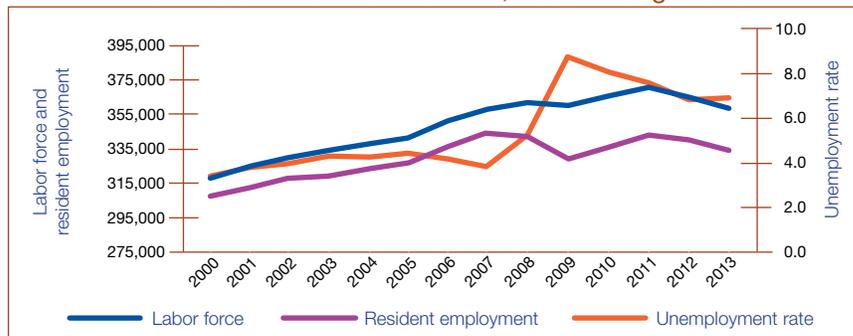
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Knoxville HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	September 2013	September 2014		
Total nonfarm payroll jobs	331,500	338,500	7,000	2.1
Goods-producing sectors	46,800	47,400	600	1.3
Mining, logging, & construction	15,400	15,700	300	1.9
Manufacturing	31,500	31,700	200	0.6
Service-providing sectors	284,700	291,200	6,500	2.3
Wholesale & retail trade	57,600	58,000	400	0.7
Transportation & utilities	12,000	12,300	300	2.5
Information	5,600	5,600	0	0.0
Financial activities	17,100	17,400	300	1.8
Professional & business services	48,700	51,200	2,500	5.1
Education & health services	45,800	46,500	700	1.5
Leisure & hospitality	36,300	37,900	1,600	4.4
Other services	13,200	13,400	200	1.5
Government	48,200	48,900	700	1.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through September 2013 and September 2014.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Knoxville HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

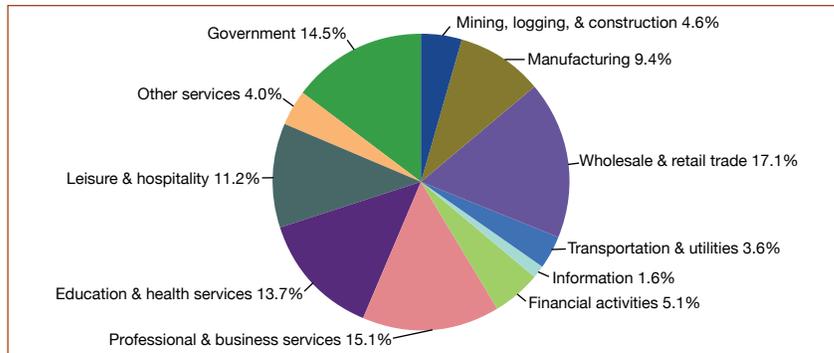
The government sector accounted for 48,900 jobs, or nearly 15 percent of all nonfarm payrolls in the HMA, during the 12 months ending September 2014 (Figure 2). This total represented an increase of 700 jobs, or 1.5 percent, compared with the number of non-farm payrolls during the 12 months ending September 2013, as state and local governments added jobs. The largest employer in the HMA is DOE, which employs 12,000 people and has annual payrolls of nearly \$1.1 billion (Table 3). DOE oversees three sites on the Oak Ridge Reservation in Anderson County—the Oak Ridge National Laboratory (ORNL), Y-12 National Security Complex, and East Tennessee Technology Park—that combine to have an annual economic impact of more than \$2.4 billion and generate

17,900 indirect jobs in the HMA and surrounding area (DOE). During 2012, DOE operations spent nearly \$1.2 billion on the procurement of goods and services, of which \$814 million was spent in the HMA, spurring growth in the professional and business services sector. ORNL, the DOE's largest laboratory, is currently working on carbon fiber technology, particularly for the automotive industry, as part of a \$35 million grant funded by the federal government's Clean Energy Manufacturing Initiative.

The University of Tennessee (UT), in Knox County, is the second largest employer in the government sector and the HMA. During the fall of 2014, UT employed 9,600 people, up 325 jobs, or 3.5 percent, from the fall of 2013, with most of the gains in service and maintenance positions. By comparison, from the end of 2006 through 2012, the number of jobs at UT increased by an average of 260, or 3.1 percent, annually. UT enrolled 27,400 students in the fall of 2014, up 200 students, or 0.7 percent, from the fall of 2013, an improvement when compared with average declines of 180 students, or 0.7 percent, annually from 2008 through 2012. Six construction projects are under way on campus, totaling a \$420.3 million investment. The largest project is the \$167 million, 391,000-square-foot, six-story Student Union building that will replace the University Center built in 1952; construction is expected to be complete in 2017. These construction projects spurred growth in the mining, logging, and construction sector, which increased by 300 jobs, or 1.9 percent, during the 12 months ending September 2014 after declines in 5 of the previous 6 years.

Military activity has a \$943 million annual economic impact on the HMA

Figure 2. Current Nonfarm Payroll Jobs in the Knoxville HMA, by Sector



Note: Based on 12-month averages through September 2014.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Knoxville HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Department of Energy	Government	12,000
University of Tennessee	Government	9,600
Covenant Health	Education & health services	9,125
Wal-Mart Stores, Inc.	Wholesale & retail trade	5,775
McGhee Tyson Air National Guard Base	Government	4,900
University Health System Inc.	Government	4,050
DENSO Manufacturing Tennessee, Inc.	Manufacturing	3,400
Tennova Healthcare	Education & health services	3,125
The Kroger Co.	Wholesale & retail trade	2,550
Alcoa Inc.	Manufacturing	1,200

Notes: Excludes local school districts. McGhee Tyson Air National Guard Base includes 4,380 military and 520 civilian employees.

Sources: Knoxville Chamber; Knoxville-Oak Ridge Innovation Valley

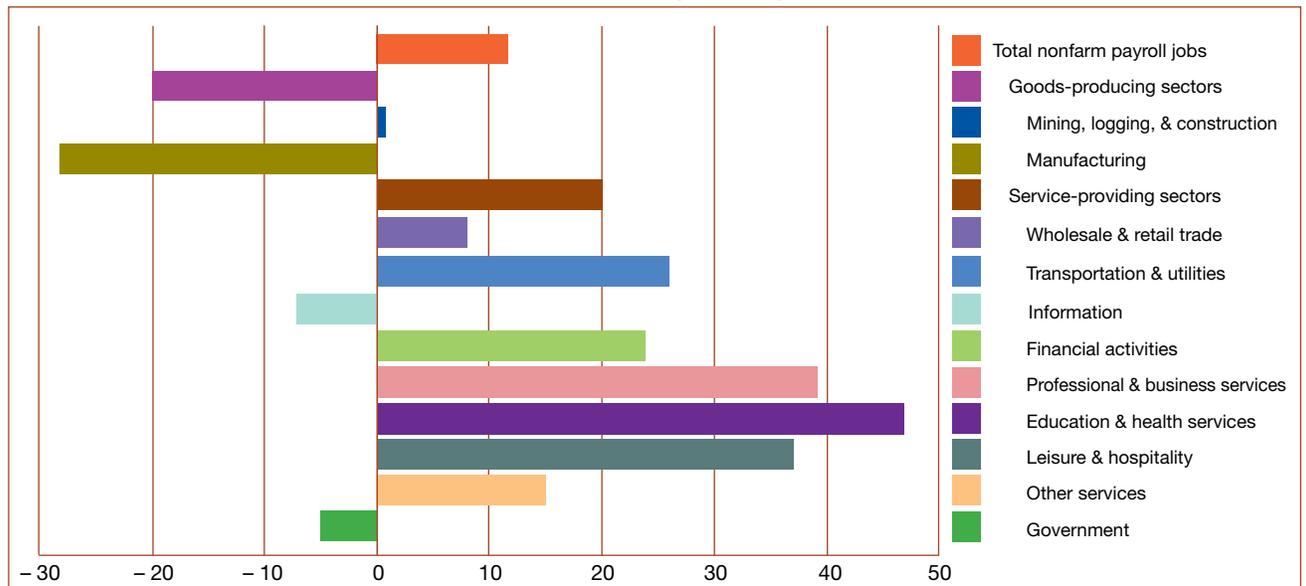
and surrounding counties, with the greatest portion, about \$138 million, from McGhee Tyson Air National Guard Base (East Tennessee Military Affairs Council). McGhee Tyson Air National Guard Base has 4,380 military personnel and 520 civilian workers and an additional 5,575 active-duty personnel, guard reserve personnel, and civilian workers are employed at military locations throughout the HMA.

The economy of the Knoxville HMA has transformed since 2000. The manufacturing sector has contracted, whereas the education and health services and the professional and businesses services sectors have expanded. The greatest job gains since 2000 have been in the education and health services sector, which has increased by an average of 1,075 jobs, or 3.4 percent, annually and has not lost jobs in any year since 2000. The sector has expanded 47 percent since 2000 (Figure 3). Healthcare spending per capita in Tennessee increased nearly 48 percent, from \$4,125 in 2000 to \$6,100 in 2009 (Kaiser

Family Foundation). During the 12 months ending September 2014, the education and health services sector in the HMA increased by 700 jobs, or 1.5 percent, to 46,500 jobs compared with employment during the 12 months ending September 2013. The largest employer in the sector and the third largest employer in the HMA is Covenant Health, with 9,125 employees. Covenant Health has invested \$1.0 billion in new facilities, technology, and programs since 2000 and is expected to continue expanding.

During the 12 months ending September 2014, the professional and businesses services sector increased by 2,500 jobs, or 5.1 percent, from the 12 months ending September 2013, making it the fastest growing sector in the HMA during the period. The many government contracts and procurement opportunities available in the HMA spur growth. During 2010 and 2011, the professional and businesses services sector increased by an average of 3,200 jobs, or 7.6 percent, annually, partially because

Figure 3. Sector Growth in the Knoxville HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through September 2014.

Source: U.S. Bureau of Labor Statistics

of the economic stimulus from the American Recovery and Reinvestment Act of 2009. By comparison, during the previous peak growth years from the end of 2005 through 2008, nonfarm payrolls in the sector increased by an average of 1,125 jobs, or 2.8 percent, annually.

Manufacturing was the third largest sector in the HMA in 2000 but has been trending downward since, similar to manufacturing declines throughout the nation, and is now the sixth largest sector, with 31,700 jobs. During the economic downturn in the HMA in 2009, the manufacturing sector declined by 5,300 jobs, or 15.1 percent. The greatest losses occurred at Sea Ray Boats, Inc., which lost 540 jobs because of sharp declines in consumer spending. During 2010, manufacturing losses subsided and only 200 jobs, or 0.7 percent, were lost. A brief recovery followed in 2011 and 2012, when the sector increased by an average of 1,100 jobs, or 3.7 percent, annually. In 2013, the manufacturing sector again declined. During the 12 months ending September 2014, the sector increased by 200 jobs, or 0.6 percent, from the

previous 12 months and was led by gains in the automotive parts industry.

The HMA is home to 16 automotive parts manufacturers that provide 9,850 jobs, representing nearly one-third of all manufacturing jobs. The largest automotive parts manufacturer is DENSO Manufacturing Tennessee, Inc., which employs 3,400 people. Knoxville Locomotive Works, ARC Automotive Inc., and SL Tennessee LLC recently announced a combined \$89.6 million in capital investments for new production facilities that will create 1,225 jobs during the next 3 years. Alcoa Inc., an aluminum manufacturer with a location in the HMA, is in the midst of a \$275 million expansion to produce aluminum sheets for automotive production in Ford Motor Company trucks and other vehicles that will create 200 jobs by mid-2015.

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 3,825 jobs, or 1.1 percent, annually. Job growth is expected to occur in most sectors, with the greatest gains in the professional and business services and the education and health services sectors.

Population and Households

As of October 1, 2014, the population of the Knoxville HMA was an estimated 721,600. The city of Knoxville is the largest city in the HMA, with a population of 183,300, and Knox County is the largest county, with an estimated population of 449,400, or 62 percent of the total HMA population. Since 2010, the population of the HMA has

increased moderately, by an average of 5,250, or 0.7 percent, annually, largely because of the 5 years of local economic recovery since 2009. By comparison, from 2000 to 2010, the HMA population increased by 8,200, or 1.3 percent, annually, to 698,030 in April 2010 (Figure 4). The greatest increase in population since 2000 occurred from 2005 to 2008, when the

Population and Households *Continued*

population increased by an average of 10,900, or 1.7 percent, annually (U.S. Census Bureau, July 1 estimates). The main contributing factors of growth during this period were local economic expansion and UT enrollment increasing by an average 530 students, or 2 percent, annually.

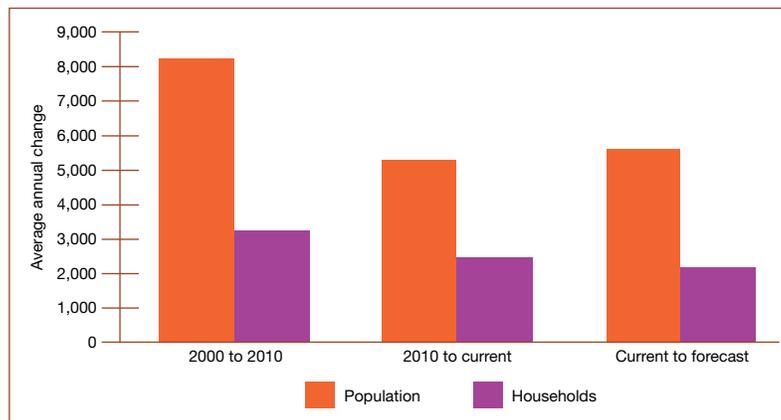
Net in-migration to the HMA has averaged 4,050 people annually since 2010, accounting for approximately 88 percent of population growth in the HMA. By comparison, from 2005 to 2008, net in-migration averaged 8,925 people a year as the economy was expanding. From 2000 to 2010, net

in-migration averaged 6,450 people a year, or nearly 79 percent of population growth, because the economy expanded throughout the decade, except from the end of 2007 through 2009. Net natural change (resident births minus resident deaths) has averaged 1,200 people per year since 2010, fewer than during the peak years from 2005 to 2008, when net natural change averaged 1,975 people annually. Net natural change averaged 1,750 people annually from 2000 to 2010. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

An estimated 295,650 households currently reside in the HMA, which represents an average annual increase of 2,375 households, or 0.8 percent, since 2010. By comparison, from 2000 to 2010, the number of households in the HMA increased by an average of 3,200, or 1.2 percent, annually. Changes in the rate of household growth in the HMA were more pronounced during the 2000s because of the higher rate of net in-migration.

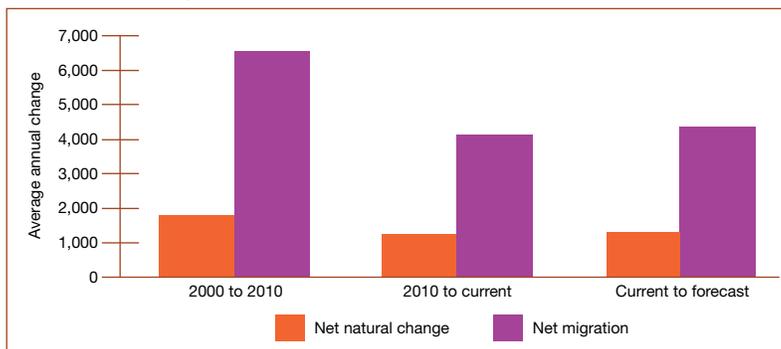
The homeownership rate in the HMA decreased from 69.2 percent in 2010 to 68.0 percent as of the current date, partly because of tighter lending standards and an increased propensity to rent. The higher than typical foreclosure rates from 2010 through 2013 also contributed to the lower homeownership rate. Although the homeownership rate is declining, the rate in the HMA has been historically higher than the rate in the nation because of the stable jobs in the government sector. During the third quarter of 2014, the national homeownership rate was estimated at 64.4 percent, down from 65.3 percent a year ago (Census Bureau, Housing Vacancy Survey). Figure 6

Figure 4. Population and Household Growth in the Knoxville HMA, 2000 to Forecast

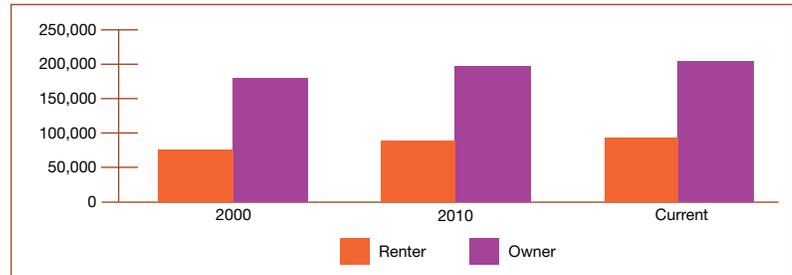


Notes: The current date is October 1, 2014. The forecast date is October 1, 2017.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Knoxville HMA, 2000 to Forecast



Notes: The current date is October 1, 2014. The forecast date is October 1, 2017.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Knoxville HMA, 2000 to Current

Note: The current date is October 1, 2014.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

shows the number of households by tenure for 2000, 2010, and the current date.

During the 3-year forecast period, population and household growth in the HMA are both expected to remain relatively consistent with the rate since

2010 because of the anticipated moderate levels of job growth and net immigration. The population in the HMA is expected to increase by an average of 5,575, or 0.8 percent, annually, and the number of households in the HMA is forecast to grow by an average of 2,150, or 0.7 percent, annually.

Housing Market Trends

Sales Market

Sales housing market conditions in the Knoxville HMA are currently soft, with an estimated 1.9-percent vacancy rate, down from 2.9 percent in April 2010. During the 12 months ending September 2014, 12,200 existing homes (including single-family homes, townhomes, and condominiums) sold, a decrease of 300 homes, or more than 2 percent, compared with the number sold during the 12 months ending September 2013 (CoreLogic, Inc., with adjustments by the analyst). Existing home sales decreased compared with sales during the period from the end of 2011 through 2013, when existing home sales increased by an average of 1,750, or nearly 18 percent, annually, to 12,500 homes sold. By comparison,

from the end of 2005 through 2011, existing home sales declined by an average of 1,500, or 11 percent, annually, from 18,100 homes sold in 2005 to 9,000 homes sold in 2011. The greatest declines in existing home sales occurred in 2008 and 2009, when sales decreased by an average of 2,025 homes, or 15 percent, annually. Existing home sales averaged 17,500 annually during the peak years from 2003 through 2005. Because sales increased gradually and homebuilding activity remained low, the inventory of unsold homes remained unchanged at a 9.8-month supply from September 2013 to September 2014 (Knoxville Area Association of Realtors®, with adjustments by the analyst).

Housing Market Trends

Sales Market *Continued*

Average existing home sales prices reached peak levels in 2014 after declines from 2007 through 2010 and again in 2012. During the 12 months ending September 2014, the average sales price for existing homes was \$166,700, an increase of \$10,400, or nearly 7 percent, compared with the average price during the 12 months ending September 2013 (CoreLogic, Inc., with adjustments by the analyst). From 2007 through 2010, the average sales price for existing homes decreased nearly 2 percent annually, to \$149,500 in 2010. The greatest increases in prices occurred during the period from 2004 through 2007, when the average sales price for existing homes increased by an average of \$8,225, or nearly 6 percent, annually and reached \$156,900 in 2007.

New single-family homes, townhomes, and condominiums (hereafter, new homes) represented 8 percent of the total sales in the Knoxville HMA during the 12 months ending September 2014, up from 6 percent during the 12 months ending September 2013 but down from an average of nearly 14 percent from 2005 through 2007, when mortgage lending and home sales peaked. New homes sales increased during the 12 months ending September 2014 by 85, or 9 percent, to 1,025 homes sold compared with the number sold during the 12 months ending September 2013. In 2012, the number of new homes sold increased by 40, or 6 percent, to 700 homes compared with the number sold during the previous year. Before these increases, new home sales declined from 2,925 in 2006 to 660 in 2011, a nearly 26-percent decline annually. During the peak years, in 2005 and 2006, new homes sales averaged 2,825.

New home sales prices have increased since the end of 2011 after 4 years of

declines. During the 12 months ending September 2014, the average sales price for new homes in the HMA was \$245,700, up \$14,100, or 6 percent, from a year ago. By comparison, during 2012, the average price increased by \$5,175, or more than 2 percent, from the previous year. From the end of 2008 through 2011, the average sales price for new homes declined by an average of \$8,975, or nearly 4 percent, annually as the economy declined, the housing market weakened, and banks imposed tighter lending standards that constrained the market. By comparison, from the end of 2005 through 2007, new home prices increased by an average of \$16,200, or more than 7 percent, annually, to \$242,700 in 2007.

Condominium sales are concentrated in Knox County. Condominium sales increased during the 12 months ending September 2014 by 50 homes, or nearly 4 percent, to 1,300 compared with sales during the 12 months ending September 2013 (Knoxville Association of Realtors®). During the 12 months ending September 2014, the average price of condominiums sold was \$164,400, up \$12,350, or more than 8 percent, from the 12 months ending September 2013. During 2006 and 2007, condominium sales peaked at an average of 2,000 sold. Sales decreased by an average of 260 homes, or more than 17 percent, annually from 2007 through 2011, to 890 sold in 2011. The average sales price for condominiums was \$170,400 during 2006 and 2007 and declined more than 3 percent annually, to \$149,900, in 2012, 1 year more than the decline in the number sold.

As of September 2014, approximately 2,225 home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or

transitioned into real estate owned (REO) status, comprising 3.4 percent of home loans in the HMA, down from 3.9 percent of home loans in September 2013 (Black Knight Financial Services, Inc.). The current rate of seriously delinquent and REO properties in the HMA is below the rates for Tennessee and the nation, which are 4.8 and 4.7 percent, respectively. REO sales comprised an estimated 13 percent of total home sales in the HMA during the 12 months ending September 2014, down from an estimated 17 percent a year earlier. Although REO sales as a portion of total sales peaked in the HMA during the 12 months ending September 2013, existing home sales prices have continued to increase.

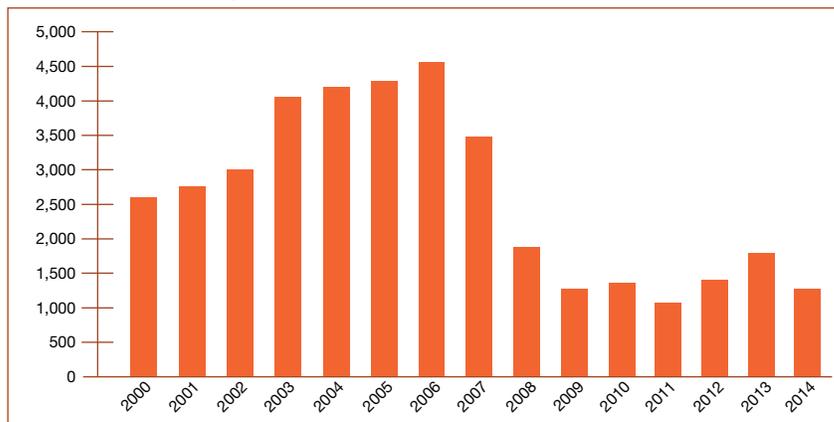
Since 2011, homebuilding activity has increased as builders have responded to increases in new and existing home sales. Homebuilding activity, as measured by the number of single-family homes permitted, partially rebounded from the end of 2011 through 2013, when the number of single-family homes permitted increased by an average of 350, or more than 28 percent, annually. During the 12 months ending September 2014, homebuilding activity

increased by 100 homes, or nearly 7 percent, to 1,575 homes permitted compared with the number permitted during the 12 months ending September 2013 (preliminary data). By comparison, homebuilding activity declined from the end of 2006 through 2009 by an average of 1,100 homes, or 35 percent, annually, to 1,250 homes permitted in 2009. In 2010, permitting increased by 100, or 8 percent, to 1,350 homes permitted, partly a result of low interest rates and owners of existing homes moving to new homes because the stimulus from the first-time homebuyer tax credit program increased their ability to sell their homes. Current homebuilding activity is approximately 65 percent less than during the peak years from 2005 through 2006, when an average of 4,400 homes were permitted annually. Figure 7 shows the number of single-family homes permitted annually in the HMA since 2000.

An estimated 790 single-family homes are currently under construction in more than 50 subdivisions in the Knoxville HMA. In west Knoxville, construction is under way at Whispering Woods, a 97-lot subdivision that offers three- and four-bedroom homes that range from 2,050 to 4,175 square feet at prices ranging from \$291,000 to \$438,000. Phase II of Yarnell Station, an 89-lot subdivision, is also under construction in west Knoxville. Yarnell Station offers three- and four-bedroom homes that range from 2,400 to 3,000 square feet at prices ranging from \$199,400 to \$288,000. Both subdivisions are expected to be complete in the next 3 years. Smaller two-bedroom starter homes in outlying areas of the HMA can be purchased for less than \$100,000.

During the next 3 years, demand is expected for an estimated 4,975 new homes in the HMA, including an

Figure 7. Single-Family Homes Permitted in the Knoxville HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through September 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Knoxville HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
50,000	99,999	95	2.0
100,000	149,999	670	14.0
150,000	199,999	1,150	24.0
200,000	299,999	1,425	30.0
300,000	399,999	910	19.0
400,000	499,999	380	8.0
500,000	599,999	95	2.0
600,000	and higher	50	1.0

Notes: The 790 homes currently under construction and a portion of the estimated 14,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Excludes mobile homes. The forecast period is October 1, 2014, to October 1, 2017.

Source: Estimates by analyst

estimated demand for 200 mobile homes (Table 1). Demand is expected to be uniform during the next 3 years because new home sales have been relatively flat for 5 years. The 790 homes under construction and some of the estimated 14,000 other vacant units that may reenter the market will satisfy a portion of that demand. Demand is expected to be strongest for new homes in the \$200,000-to-\$299,999 price range. Table 4 illustrates estimated demand for new sales housing in the HMA by price range.

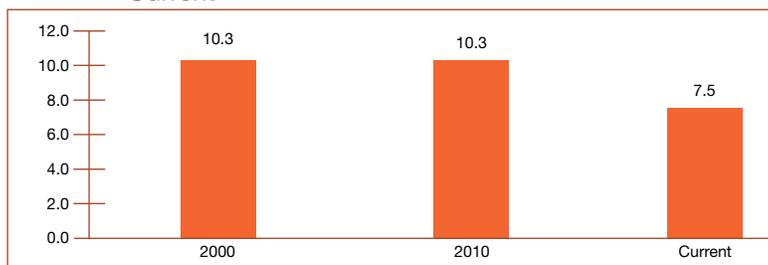
Rental Market

The rental housing market in the Knoxville HMA is currently balanced, with an estimated vacancy rate of 7.5 percent as of October 1, 2014, down from 10.3 percent during April 2010 (Figure 8). Approximately 49 percent of all renter households live in single-family and mobile homes, up from 45 percent in 2010. The apartment market in the HMA is also balanced, with a 5.0-percent vacancy rate in the third quarter of 2014, up from 4.5 percent in the third quarter of 2013 but significantly down from 6.8 percent in the third quarter of 2009 (MPF Research). During the past year, 205 apartment units were completed and 170 units were absorbed, resulting in a slight increase in vacancy rate.

The average asking rent in the third quarter of 2014 was \$771, up more than 1 percent from the same quarter a year earlier and 16 percent higher than the low of \$665 recorded in the first quarter of 2010. The average asking rents for one-, two-, and three-bedroom units were \$643, \$786, and \$1,105, respectively. Rental concessions for apartments averaged \$41 a month during the third quarter of 2014, with 12 percent of properties offering concessions (MPF Research). By comparison, during the third quarter of 2013, the average concession was \$38 a month, with 4 percent of properties offering concessions.

Multifamily construction activity, as measured by the number of multifamily units permitted, totaled 510 during the 12 months ending September 2014, unchanged from the 12 months ending September 2013 (preliminary data). By comparison, during the peak years from 2004 through 2007, an average of 1,750 units were permitted annually. From 2008 through 2010, builders responded to the declining demand for apartments resulting from weaker

Figure 8. Rental Vacancy Rates in the Knoxville HMA, 2000 to Current



Note: The current date is October 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

economic conditions by reducing construction, resulting in an average of 930 units permitted annually during the period. Multifamily permitting hit a low of 280 units permitted in 2011 before increasing to an average of 750 units permitted annually during 2012 and 2013. Increased multifamily permitting since 2012 is a result of builders responding to improving rental market conditions during the past 3 years. Figure 9 shows the number of multifamily units permitted annually in the HMA since 2000.

Since 2000, an estimated 2,425 condominium units have been constructed, representing slightly more than 1 percent of multifamily construction overall. Condominium construction peaked during the 2005-through-2008 period, when an average of 390 units, or nearly 3 percent of total multifamily units, were constructed annually. No known condominium construction occurred in the HMA during the 12 months ending September 2014.

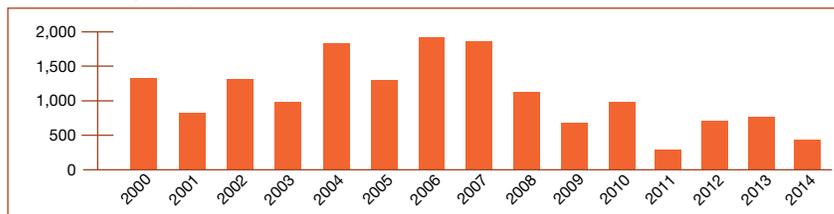
A 250-unit, market-rate apartment development, Wellsley Park at Deane Hill, was recently completed; rents start at \$890 for one-bedroom units, \$1,133 for two-bedroom units, and \$1,405 for three-bedroom units. A 56-unit second phase at The Landings was completed in the spring of 2014; rents start at \$845 for one-bedroom units, \$1,045 for two-bedroom units,

and \$1,345 for three-bedroom units. A 134-unit, market-rate apartment development, River's Edge Apartments, is under construction; rents are expected to start at \$850 for one-bedroom units, \$1,100 for two-bedroom units, and \$1,250 for three-bedroom units. River's Edge is expected to be complete in January 2016.

UT, which enrolls 27,400 students, houses 7,300 students in on-campus housing, and the remaining 20,100 students reside off campus. Students account for an estimated 6,625 households, or nearly 7 percent of the overall renter households in the HMA. UT completed the \$59 million Fred D. Brown Jr. Residence Hall in the fall of 2013, the first new residence hall at UT in 40 years. The 250,000-square-foot hall provides 700 beds at rents of \$3,200 or \$3,400 per semester, depending on the configuration. The MPF Research-defined Downtown/University/South Knoxville market area, which includes the area around UT, maintains a lower vacancy rate than the HMA overall because of the concentrated student demand in the area. In the third quarter of 2014, this area had a vacancy rate of 4.6 percent, down from 5.5 percent during the third quarter of 2013. No known properties in the Downtown/University/South Knoxville area offered concessions during the third quarter of 2014 or 2013.

During the next 3 years, demand is expected for 3,050 new market-rate rental units (Table 1), including demand from students. Table 5 shows the estimated demand by rent level and number of bedrooms. The 690 units currently under construction will satisfy some of the demand.

Figure 9. Multifamily Units Permitted in the Knoxville HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through September 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Knoxville HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
650 or more	60	800 to 999	530	1,000 to 1,199	820	1,200 to 1,399	140
		1,000 or more	530	1,200 or more	820	1,400 or more	140
Total	60	Total	1,075	Total	1,650	Total	270

Notes: Numbers may not add to totals because of rounding. The 690 units currently under construction will likely satisfy some of the estimated demand. The forecast period is October 1, 2014, to October 1, 2017.

Source: Estimates by analyst

Data Profile

Table DP-1. Knoxville HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	307,744	336,751	335,600	0.9	- 0.1
Unemployment rate	3.4%	8.0%	6.0%		
Nonfarm payroll jobs	302,900	322,600	338,500	0.6	1.3
Total population	616,079	698,030	721,600	1.3	0.7
Total households	253,005	284,984	295,650	1.2	0.8
Owner households	177,605	197,099	201,100	1.0	0.4
Percent owner	70.2%	69.2%	68.0%		
Renter households	75,400	87,885	94,550	1.5	1.6
Percent renter	29.8%	30.8%	32.0%		
Total housing units	276,142	315,615	321,200	1.3	0.4
Owner vacancy rate	2.3%	2.9%	1.9%		
Rental vacancy rate	10.3%	10.3%	7.5%		
Median Family Income	\$46,500	\$58,800	\$62,200	2.4	1.9

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2014. Median Family Incomes are for 1999, 2009, and 2012. The current date is October 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 10/1/2014—Analyst’s estimates
 Forecast period: 10/1/2014–10/1/2017—
 Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example,

some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.gov/publications/pdf/CMARtables_KnoxvilleTN_15.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.gov/portal/ushmc/chma_archive.html.