



MARKET AT A GLANCE



OCCUPANCY RATE **95.0%**
Up **70 bps** since 3Q16



ASKING RENT **\$889**
Up **1.2%** since 3Q16

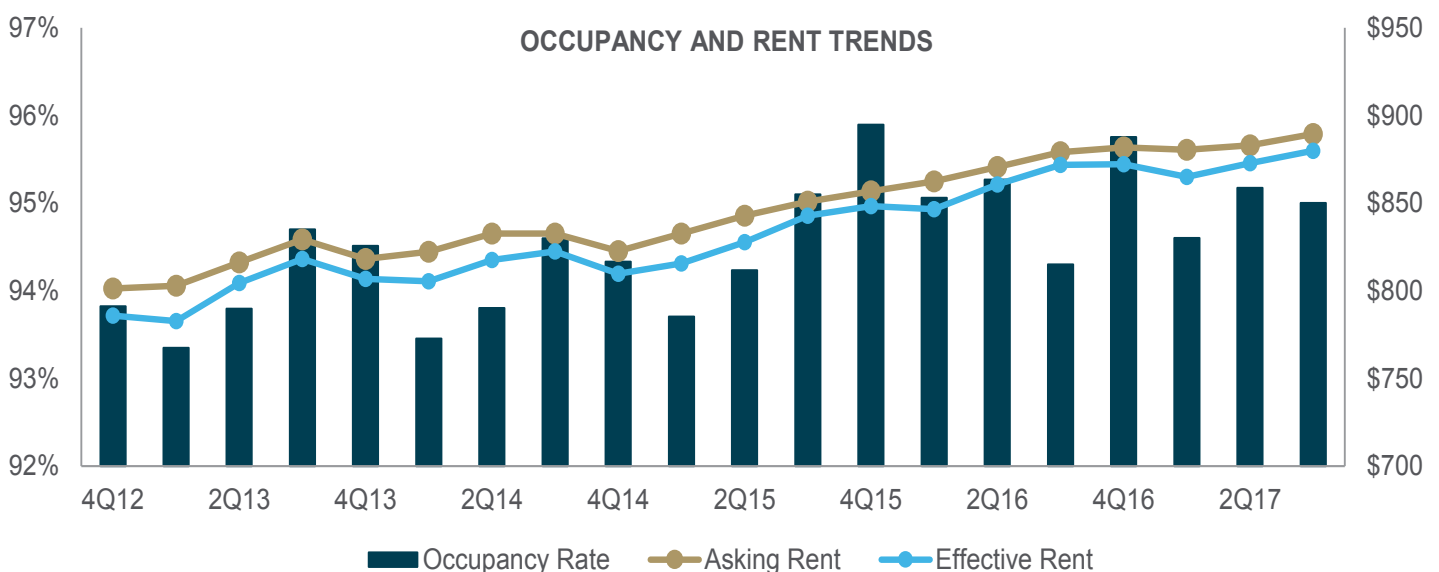


CONCESSIONS **1.1%**
Down **10 bps** since 3Q16

OCCUPANCY AND RENT TRENDS

APARTMENT OCCUPANCY ELEVATED AMID LIMITED INVENTORY GROWTH

Renting remained an attractive option to Knoxville residents as apartment leasing activity remained healthy. Renters newly occupied 1,026 net units during the last four quarters. Renters sought apartments in the Central/Southeast submarket, home to the University of Tennessee. Leasing activity was also robust in the neighboring Southwest submarket, with 203 units absorbed during the last year. Metrowide demand significantly outpaced inventory growth. Developers brought 438 units during the last four quarters. Multifamily developers focused almost exclusively along the interstate corridors of the Northeast and Southwest submarkets which include the major employment centers surrounding the West Town Mall and Knoxville Center. Builders worked to meet the demand as construction was underway on four communities, which were scheduled to bring 843 units online by year-end 2018. With leasing activity exceeding deliveries, average occupancy rate increased 70 basis points year over year to 95.0%. Encouraged by heightened demand, apartment operators increased asking rent to an average of \$889 per month, a 1.2% annual increase. Effective rent grew 0.9% to \$880 per month as concessions dropped 10 basis points to 1.1% of asking rent.



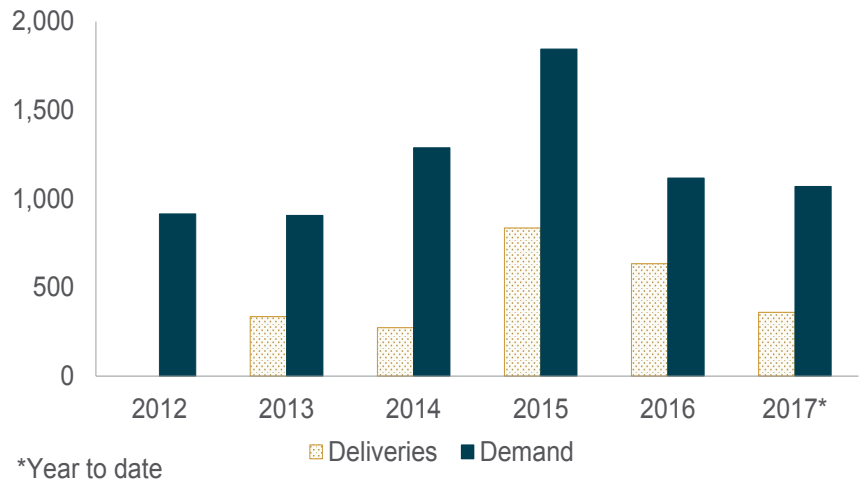
DELIVERIES AND DEMAND



DELIVERIES 360
Units YTD



NET ABSORPTION 1,069
Units YTD



ECONOMIC TRENDS

2016 4.5% **UNEMPLOYMENT*** 2017 3.1%
-140 BPS CHANGE

2016 393.3k **EMPLOYMENT*** 2017 394.6k
0.3% CHANGE

2016 15.9k **EXISTING SFH SALES**** 2017 17.5k
10.1% CHANGE

2016 \$166.3k **MEDIAN SFH PRICE**** 2017 \$173.9k
4.6% CHANGE

2016 1.63% **10-YEAR TREASURY**** 2017 2.20%
60 BPS CHANGE

*August; **September

Employment growth in the Knoxville metro area slowed through the 12-month period ending in August 2017 as employers added 1,300 new jobs, expanding payrolls by 0.3%, down from 1.9% growth in the previous 12 months period. Businesses in the leisure and hospitality industry added a metro-leading 1,500 new jobs, boosted by the openings of the Tennessean Hotel at World's Fair Park and The Hyatt Place in the Farragut Hotel this summer. Companies in the manufacturing sector added 700 jobs as Lifetime Products Inc. opened its Knox County facility, adding 125 jobs, and Newell Brands began hiring for 900 vacant positions in Maryville. Companies in Knoxville's largest employment sector—trade, transportation, and utilities—added 900 new jobs. Government agencies and local school districts combined to add 200 jobs in the public sector. Job losses were most prevalent in the professional and business services segment, as companies laid off 1,700 workers over the last year. Despite slowing job growth, the unemployment rate dropped 140 basis points annually to 3.1% in August.



SUBMARKET BREAKDOWN

| SUBMARKET NAME | OCCUPANCY | | AVG RENT INCREASE | | AVG RENT | | NET ABSORPTION | | DELIVERED UNITS | |
|-------------------|--------------|--------------|-------------------|-------------|--------------|--------------|----------------|--------------|-----------------|------------|
| | 3Q16 | 3Q17 | 3Q16 | 3Q17 | 3Q16 | 3Q17 | 3Q17 | ANNUAL | 3Q17 | ANNUAL |
| Anderson County | 94.6% | 95.1% | -14.0% | -7.9% | \$753 | \$693 | 61 | 14 | 0 | 0 |
| Blount County | 94.5% | 95.1% | 3.8% | 4.4% | \$953 | \$994 | 9 | 24 | 0 | 0 |
| Central/Southeast | 93.1% | 96.4% | 2.0% | 2.0% | \$955 | \$975 | 11 | 501 | 0 | 36 |
| Loudon County | - | 94.7% | - | - | - | \$1,091 | -11 | 11 | 0 | 0 |
| Northeast | 94.2% | 93.8% | 5.8% | -2.4% | \$891 | \$870 | 112 | 162 | 60 | 204 |
| Northwest | 94.3% | 95.6% | 5.6% | 0.7% | \$910 | \$916 | -44 | 113 | 0 | 0 |
| Southwest | 94.8% | 95.0% | -3.6% | 1.2% | \$916 | \$927 | 110 | 203 | 106 | 198 |
| TOTALS | 94.3% | 95.0% | 3.3% | 1.2% | \$879 | \$889 | 249 | 1,026 | 166 | 438 |



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