

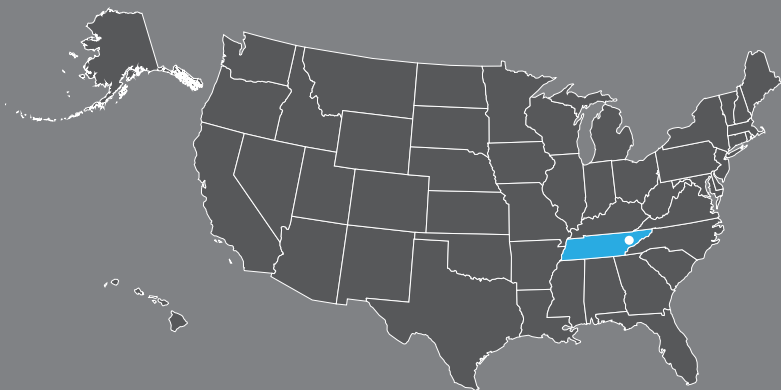
HUD PD&R Housing Market Profiles

Knoxville, Tennessee



Quick Facts About Knoxville

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- The Knoxville metropolitan area is one of the largest cities in the Appalachian Valley and a gateway to the Great Smoky Mountains.



By Karen M. Ostrye | As of December 1, 2022

Overview

The Knoxville metropolitan area is conterminous with the Knoxville, TN Metropolitan Statistical Area and includes Anderson, Blount, Campbell, Grainger, Knox, Loudon, Morgan, Roane, and Union Counties. The principal city of Knoxville is in Knox County. Large government institutions such as the U.S. Department of Energy (DOE) and The University of Tennessee (UT) provide a stable base of employment and support growth in the professional and business services and the wholesale and retail trade sectors. Myriad outdoor recreation opportunities and proximity to the Great Smoky Mountains National Park make the Knoxville metropolitan area a popular choice for tourists and retirees.

- As of December 1, 2022, the estimated population of the Knoxville metropolitan area is 936,500, reflecting an average increase of 7,800, or 0.9 percent, annually since 2010. Net in-migration averaged 8,050 people and was offset by an average net natural decline (resident births minus resident deaths) of 250 people annually.
- From 2010 to 2015, the population grew by an average of 4,625, or 0.5 percent, annually (Census Bureau decennial census counts and population estimates as of July 1).

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Because of stronger economic growth in recent years, population gains have accelerated. From 2015 to December 1, 2022, the population grew by an average of 10,050, or 1.1 percent, annually.

- In 2021, approximately 18.9 percent of all residents in the metropolitan area were aged 65 or older, up from

14.7 percent in 2010 and above the portion for the nation, which rose to 16.8 percent in 2021 from 13.1 percent in 2010 (American Community Survey [ACS] 1-year estimates). This fast-growing cohort contributes to a higher median age in the metropolitan area, which rose from 39.5 in 2010 to 40.4 in 2021, compared with 37.2 in 2010 and 38.8 in 2021, nationally.

Economic Conditions

Job losses caused by the impacts of the COVID-19 pandemic occurred at a slower pace in the Knoxville metropolitan area than in the Southeast/Caribbean region and the nation. On a monthly basis, the economy of the Knoxville metropolitan area has recovered all jobs lost during March and April 2020 due to the impacts of the COVID-19 pandemic, when nonfarm payrolls decreased by a combined 40,500 jobs compared with February 2020 (not seasonally adjusted). In November 2022, the metropolitan area had surpassed the February 2020 payroll level by 7.5 percent. Nonfarm payrolls increased by 19,900 jobs, or 4.8 percent, during the 3 months ending November 2022, compared with the same period a year ago. The region and the nation had payroll increases of 4.1 and 3.5 percent, respectively, during the same 3-month period.

During the 3 months ending November 2022—

- The mining, logging, and construction sector increased by 2,300 jobs, or 11.2 percent. Some of this growth can be

attributed to the construction of the \$25.5 million Oak Ridge National Laboratory (ORNL) U.S. Stable Isotope Production and Research Center, which broke ground in October 2022.

- Nonfarm payrolls in the wholesale and retail trade and the leisure and hospitality sectors had the largest numeric gains, increasing by 3,600 and 3,100 jobs, or 5.4 and 7.2 percent, respectively. UT's football team, The Tennessee Volunteers, draws tourism dollars into the metropolitan area, and the nearby Great Smoky Mountains National Park attracts more than 12 million visitors each year (Great Smoky Mountains National Park), supporting jobs in these sectors.
- The education and health services sector was the fourth largest employment sector in the metropolitan area, with 58,000 jobs, accounting for 13 percent of all nonfarm payrolls. The sector increased by 2,900 jobs, or 5.3 percent, partly because of the staffing of East Tennessee Behavioral Health, which opened in late July 2022. This new 90-bed

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All nonfarm payroll sectors added jobs or remained unchanged in the Knoxville metropolitan area during the past year.

	3 Months Ending		Year-Over-Year Change	
	November 2021 (Thousands)	November 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	416.3	436.2	19.9	4.8
Goods-Producing Sectors	64.3	68.4	4.1	6.4
Mining, Logging, & Construction	20.5	22.8	2.3	11.2
Manufacturing	43.7	45.6	1.9	4.3
Service-Providing Sectors	352.0	367.8	15.8	4.5
Wholesale & Retail Trade	66.3	69.9	3.6	5.4
Transportation & Utilities	16.5	17.1	0.6	3.6
Information	5.9	5.9	0.0	0.0
Financial Activities	20.6	22.0	1.4	6.8
Professional & Business Services	68.8	71.4	2.6	3.8
Education & Health Services	55.1	58.0	2.9	5.3
Leisure & Hospitality	42.8	45.9	3.1	7.2
Other Services	16.6	17.0	0.4	2.4
Government	59.3	60.7	1.4	2.4
Unemployment Rate	2.7%	2.9%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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inpatient facility is part of the Covenant Health system, which is the largest employer in the metropolitan area. Tennova North Knoxville Medical Center broke ground on a \$67.5 million facility in July 2022, which is expected to add 250 jobs upon completion in 2024.

- The professional and business services sector increased by 2,600 jobs, or 3.8 percent. Some of this growth can be attributed to Hitachi Zosen Inova USA LLC, which converts agricultural waste to clean, renewable electricity, natural gas, and hydrogen. The \$6.6 million expansion of the North American headquarters, completed in November 2022, created 90 jobs.
- The average unemployment rate was 2.9 percent, up slightly from 2.7 percent during the 3 months ending November 2021. The unemployment rate increased because the labor force grew 0.2 percent point faster than employment during the period.

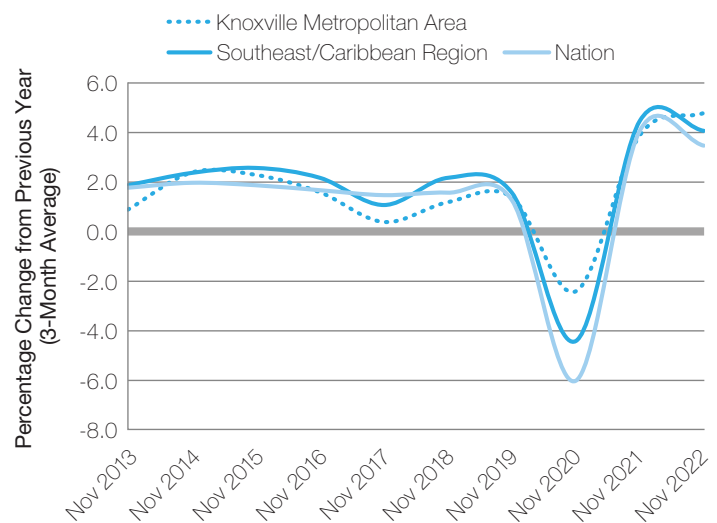
The Knoxville metropolitan area economy is supported by research institutions operated by the federal and state government. The DOE is the largest employer in the metropolitan area and includes the Y-12 National Security Complex, with 7,250 employees, and ORNL, with 5,775 employees. In 2020, ORNL had an economic impact of \$7.2 billion in the state of Tennessee (DOE). The third largest employer, UT, which has nearly 34,000 students enrolled, employs 9,000 faculty and staff, and works in partnership with the federal government on multiple research projects. The Knoxville Campus is the largest of the Tennessee university system and has a \$1.7 billion economic impact on the state (UT Knoxville).

Sales Market Conditions

The Knoxville metropolitan area home sales market is slightly tight, with a current estimated vacancy rate of 1.5 percent, down from 2.8 percent in 2010 when the market was soft. Recent increases in mortgage interest rates have contributed to a decline in home sales. During the 7-day period ending November 23, 2022, the average interest rate for a 30-year fixed-rate mortgage was 6.6 percent, more than double the 3.1-percent rate from a year earlier (Freddie Mac). Because of a decline in home sales, the months of supply rose from 2.7 in November 2021 to 3.6 in November 2022 (Redfin, a national real estate brokerage).

During November 2022, 0.9 percent of home loans in the Knoxville metropolitan area were seriously delinquent or had transitioned into real estate owned (REO) status, down from 1.7 percent a year earlier (CoreLogic, Inc.). The rate in the Knoxville metropolitan area is slightly below the rates for

The Knoxville metropolitan area lost jobs at a slower rate than the Southeast/Caribbean region and the nation during the early stages of the COVID-19 pandemic.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Knoxville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United States Department of Energy	Government	15,400
Covenant Health	Education and Health Services	11,350
The University of Tennessee Knoxville	Government	9,000

Note: Excludes local school districts.

Source: Knoxville Chamber of Commerce

Tennessee and the nation, which were 1.1 and 1.2 percent, respectively, during November 2022. The onset of the COVID-19 pandemic in early 2020 and efforts to contain the spread of the virus led to economic dislocations that caused a brief spike in seriously delinquent mortgages. As a result, the rate of seriously delinquent mortgages and REO properties reached 3.3 percent in the Knoxville metropolitan area during October 2020. Since then, the rate has declined because of improved economic and sales housing market conditions.

During the 12 months ending November 2022—

- New home sales totaled 2,500, down 3 percent from the 2,575 sales a year ago, after a 10-percent gain in the previous 12-month period. Existing home sales fell 11 percent to 22,700 during the 12 months ending November 2022

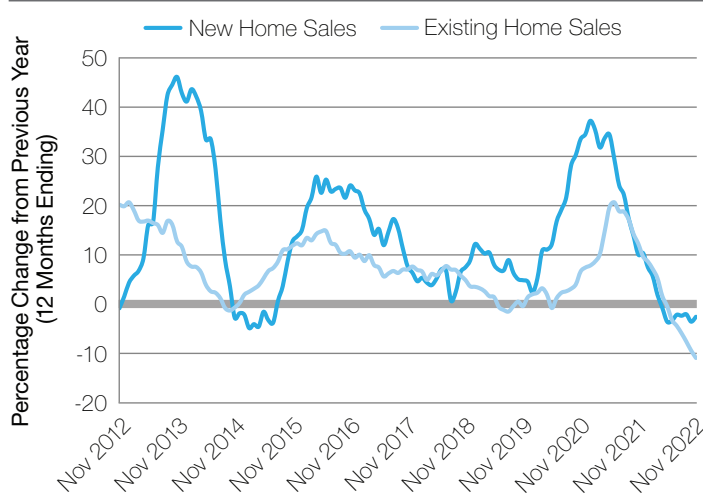
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after a gain of 12 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst).

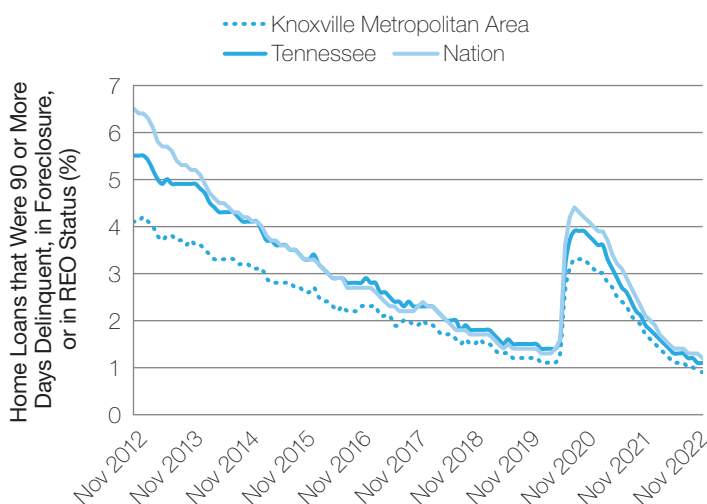
- The average sales price for a new home was \$394,100, representing an increase of 20 percent from a year earlier, due in part to rising materials costs.
- The average sales price of an existing home was \$290,500, reflecting an increase of 15 percent from a year earlier, whereas the average sales price of an existing home for the nation increased 8 percent to \$368,500.

New and existing home sales declined in the Knoxville metropolitan area during the past year.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent mortgages and REO properties in the Knoxville metropolitan area has mostly been lower than the rates for Tennessee and the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

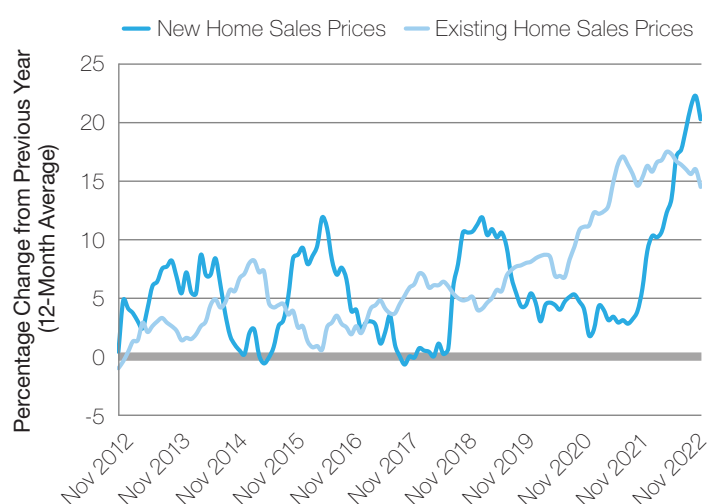
- REO sales represented 1 percent of existing home sales, unchanged from a year ago and the same as the national rate.

Single-family homebuilding, as measured by the number of homes permitted, has generally trended upward since 2013 and has been strong in northwestern Knox and Anderson Counties along the Interstate 40 corridor.

- The number of single-family homes permitted totaled 4,125 during the 12 months ending November 2022, down less than 1 percent from the previous 12 months (preliminary data).

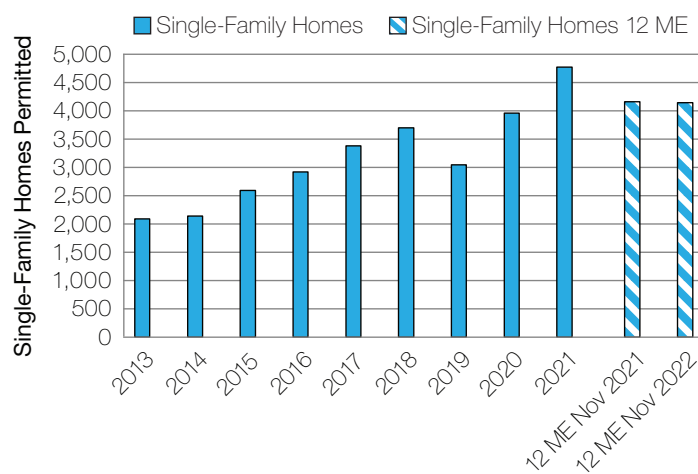
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New and existing home sales price growth has been strong in the Knoxville metropolitan area during the past year.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The number of single-family homes permitted in the Knoxville metropolitan area has generally trended upward since 2013.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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- From 2015 through 2021, single-family home construction trended upward, increasing by an average of 380 homes, or 12 percent, annually, to 4,775 homes permitted in 2021, compared with a gain of 60 homes permitted, or 3 percent, in 2014.
- Thompson Meadows offers homes from 1,425 to 2,800 square feet, with prices starting at \$244,000. This community, about 20 miles northeast of the city of

Knoxville, has completed about 120 of the 300 homes expected at build-out.

- About 19 homes remain to be built of the 45 homes expected to be completed at Spring Lake Farms. This development near the Karns community is 5 miles north of Interstate 40, west of Knoxville, with three- to five-bedroom homes starting at \$287,000.

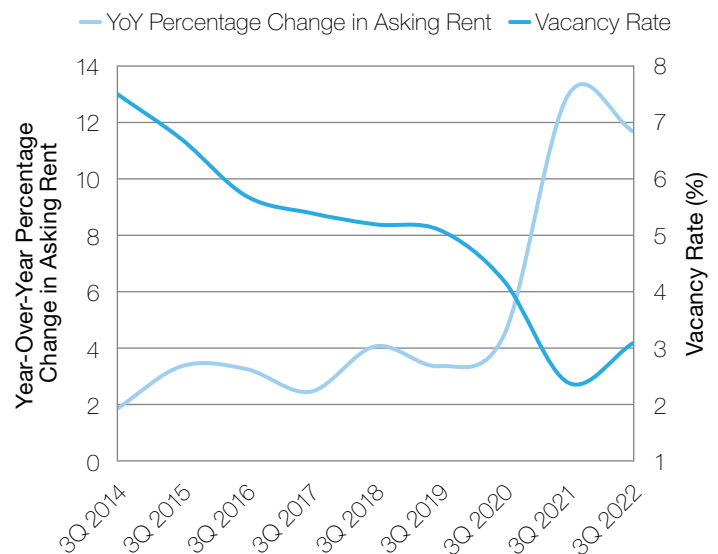
Apartment Market Conditions

Apartment market conditions in the metropolitan area are currently slightly tight, with an average vacancy rate of 3.1 percent during the third quarter of 2022, up from 2.4 percent a year earlier and well below the past decade-high rate of 7.5 percent in the third quarter of 2014 (CoStar Group). Increased renter household growth and an expanding economy, which resulted in increased net in-migration, contributed to the decline in apartment vacancy rates. The recent increase in in-migration and the addition of many newer, higher-priced apartment communities have contributed to strong rent growth since 2020.

During the third quarter of 2022—

- The average apartment rent increased 12 percent, to \$1,278, from a year earlier, following a 13-percent increase during the third quarter of 2021.
- The average apartment rent in the metropolitan area ranged from \$482 in the CoStar-defined Union County market area, which is very rural and farther away than other market areas from main arteries that lead to employment centers, to \$1,626 in the Downtown Knoxville market area. The average rent for apartments in the Downtown Knoxville market area, which includes UT, was 27 percent higher than the average rent in the overall Knoxville metropolitan area during the third quarter of 2022.
- The lowest average apartment vacancy rate in the metropolitan area was in the CoStar-defined Outlying Anderson County market area, which encompasses rural areas north of ORNL and the Y-12 National Security Complex; the vacancy rate was less than 1 percent, similar to the rate during the third quarter of 2021.
- The Loudon County market area, in which the greatest number of new units have been added during the past year, had the highest vacancy rate of 23.4 percent, compared with 1.8 percent during the third quarter of 2021. This rate is expected to decline with the absorption of new units. Loudon County is especially popular with retirees because of its numerous waterways and recreation areas.

The addition of new multifamily units in the Knoxville metropolitan area has lowered vacancy rates and put upward pressure on rents since 2020.



3Q = third quarter. YoY = year-over-year.
Source: CoStar Group

Strong apartment construction contributed to slightly higher vacancy rates during the past year. The annual number of multifamily units permitted in 2020 and 2021 surpassed the previous peak in 2003.

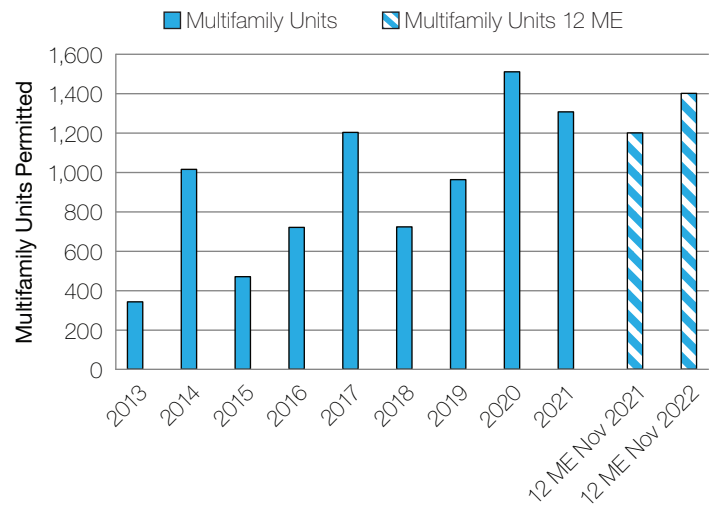
- Multifamily construction, as measured by the number of units permitted, totaled 1,400 during the 12 months ending November 2022, up from 1,200 units a year earlier (preliminary data). An average of 1,150 units were permitted annually from 2017 through 2021, up from an average of 640 annually from 2013 through 2016.
- An estimated 2,400 multifamily units are currently under construction in the metropolitan area; approximately 79 percent are in Knox County, most of which are concentrated in the area south of Interstate 40 and west of the city of Knoxville.

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- About 21 percent of the apartments currently under construction are in northern Blount County surrounding the McGhee Tyson Airport. Vintage Hunters Crossing, a 192-unit property between the cities of Alcoa and Maryville, began leasing in early 2022 and offers one-bedroom, two-bedroom, and three-bedroom units with rents starting at \$1,425, \$1,750, and \$2,000, respectively.
- About 26 percent of all apartment units completed in 2022 were income-restricted. The 50-unit Burlington Commons development, about 6 miles northeast of the city of Knoxville, offers one-bedroom and two-bedroom units for tenants who earn 50 to 80 percent of the Area Median Income (AMI).
- Universal at Town Creek apartments is a 265-unit apartment complex in Lenoir City in Loudon County, about 25 miles southwest of the city of Knoxville near Interstate 75. It is now leasing, with rents ranging from \$1,080 to \$1,194 for one- to three-bedroom units.

Multifamily construction in the Knoxville metropolitan area has been strong since 2020.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Decline	Resident deaths are greater than resident births.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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