

Multi-Dwelling Housing Trends in Knox County, Tennessee

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For more information:
MPC Contact:
Bryan Berry or
Terry Gilhula
215-2500

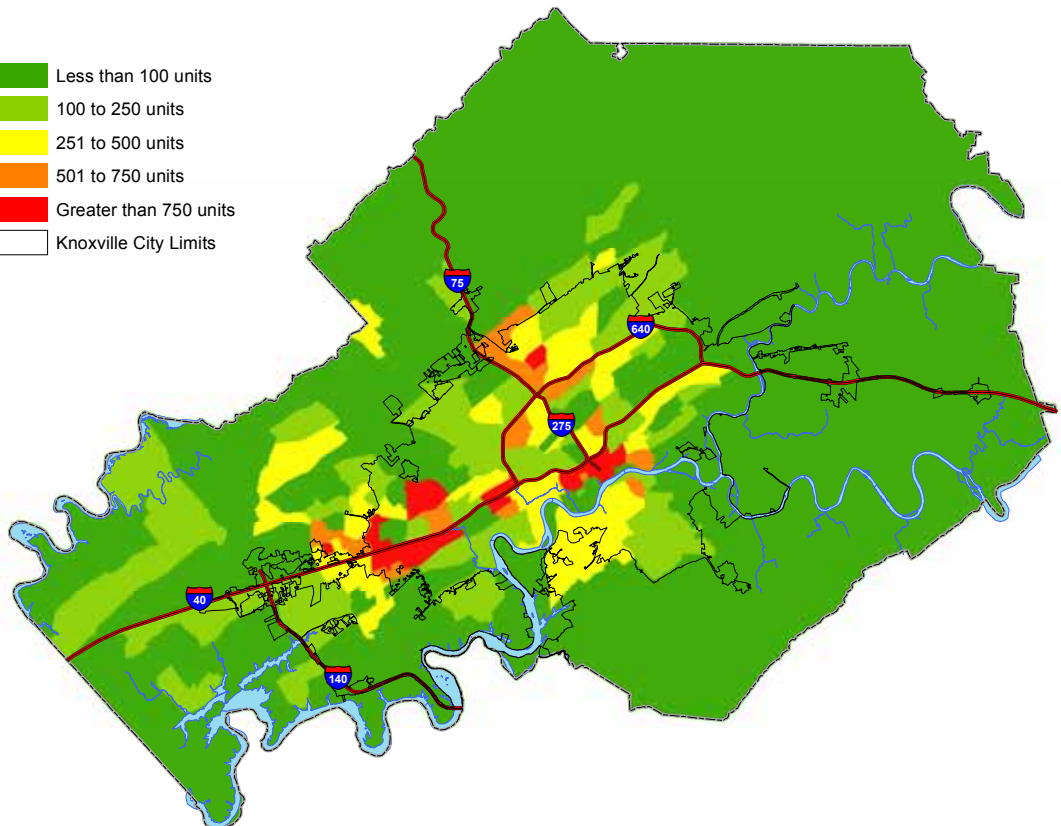
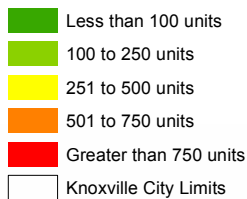
MPC Website & email
www.knoxmpc.org
contact@knoxmpc.org



Multi-dwelling housing units comprise an important piece of Knox County's residential property mix. In a market that offers single-family homes, condos, mobile homes, and other housing options, the local multi-dwelling segment holds nearly one quarter of all inventory. In this report, we take a close look at local multi-dwelling supply, comparing it with other residential inventory, and summarize changes in housing mix over the past 20 years. We also provide current rent and occupancy rates to gauge market conditions, and we report on recently completed and proposed multi-dwelling projects.

Multi-dwelling housing units include apartments, duplexes, triplexes, and four-plexes.

Multi-Dwellings in Knox County



Source: U.S. Census Bureau, 2008-2012 American Community Survey 5-Year Estimates, Table B25024 Units in Structure.

HOUSING MIX

There are 205,000 residential dwelling units in Knox County: 48,000 multi-dwellings, representing a 23.5 percent share, and 157,000 single-family homes comprising about three quarters of total inventory. The number of multi-dwellings has increased since 1990, gaining 10,800 units or 29 percent growth through 2013. While multi-dwelling supply grew, its share of total residential inventory fell almost three percentage points from 26.1 percent in 1990 to 23.5 percent in 2013.

Table 1: Residential Property Inventory in Knox County, 1990-2013

	1990		2000		2010		2013	
	Units	% Share of Housing Stock	Units	% Share of Housing Stock	Units	% Share of Housing Stock	Units	% Share of Housing Stock
CITY OF KNOXVILLE								
Single dwelling	45,737	59.8	51,256	60.4	55,747	60.5	56,117	60.4
Multi-dwelling	30,716	40.2	33,641	39.6	36,350	39.5	36,763	39.6
Total	76,453	100.0	84,897	100.0	92,097	100.0	92,880	100.0
KNOX COUNTY BALANCE								
Single dwelling	60,434	90.0	78,373	90.6	98,180	89.9	100,776	89.8
Multi-dwelling	6,695	10.0	8,169	9.4	11,027	10.1	11,481	10.2
Total	67,129	100.0	86,542	100.0	109,207	100.0	112,257	100.0
CITY AND COUNTY TOTAL								
Single dwelling	106,171	73.9	129,629	75.6	153,927	76.5	156,893	76.5
Multi-dwelling	37,411	26.1	41,810	24.4	47,377	23.5	48,244	23.5
Total	143,582	100.0	171,439	100.0	201,304	100.0	205,137	100.0

Notes: Condominiums and mobile homes are counted as single dwelling units. Sources: U.S. Census Bureau, *Census of Population and Housing*, 1990 and 2000. Knoxville / Knox County Metropolitan Planning Commission, *Development Activity File*, 2001-2013. Knox County Balance includes Town of Farragut.

Rates of development in Knox County's multi-dwelling market have been similar to markets across the nation in recent years. The total U.S. market saw growth in multi-dwelling inventory, adding almost 6.5 million units since 1990, however, overall mix dropped from 1990's high of 27.5 percent share to 26.1 percent in 2012. In the Southeast, multi-dwellings recorded a 22 percent share of total housing, nearly unchanged since 1990, while Tennessee reported an 18.6 percent share, down from 20.2 percent in 1990. Again, state and regional multi-dwelling inventories increased while market share was off slightly. Knox County's 23.4 percent (in 2012) multi-dwelling hold of housing mix outpaced the Southeast region and state figures.

There is considerable difference in housing mix between the densely urbanized portions of the City of Knoxville and the lower-density suburban development comprising much of the unincorporated Knox County balance. Consistent with urbanized areas nationwide, the City holds a much larger share of multi-dwelling units, 76 percent, or 37,000 units. By comparison, the county balance reports only 11,500 multi-dwellings, even though total housing units in the balance out-number inventory in the City. The result is a 60/40 split between single-dwelling and multi-dwelling units in the City, while the county balance shows a 90/10 split.

Table 2: National and Regional Residential Property Inventory, 1990-2012

	1990		2000		2010		2012	
	Units	% Share of Housing Stock	Units	% Share of Housing Stock	Units	% Share of Housing Stock	Units	% Share of Housing Stock
UNITED STATES								
Multi-dwelling	28,151,547	27.5	30,549,393	26.4	34,416,477	26.1	34,590,795	26.1
All housing units	102,263,678	100.0	115,904,641	100.0	131,791,065	100.0	132,452,249	100.0
SOUTHEAST								
Multi-dwelling	4,306,594	22.4	4,925,207	21.2	6,089,600	21.9	6,149,348	22.0
All housing units	19,194,742	100.0	23,178,332	100.0	27,753,962	100.0	27,916,845	100.0
TENNESSEE								
Multi-dwelling	409,038	20.2	455,533	18.7	520,059	18.5	528,438	18.6
All housing units	2,026,067	100.0	2,439,443	100.0	2,815,087	100.0	2,834,808	100.0
KNOX COUNTY								
Multi-dwelling	37,411	26.1	41,810	24.4	47,377	23.5	47,596	23.4
All housing units	143,582	100.0	171,439	100.0	201,304	100.0	203,287	100.0

Notes: Southeast includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee. Sources: U.S. Census Bureau, *Census of Population and Housing*, 1990 and 2000. U.S. Census Bureau, *2009 American Community Survey*, 1-Year Estimates, 2010 and 2012. Knoxville / Knox County Metropolitan Planning Commission, *Development Activity File*, 2001-2012.

MULTI-DWELLING UNIT CONSTRUCTION

Over the last 10 years, multi-dwelling construction resulted in 6,300 new units in Knox County. Peak activity was measured in 2004 (960 units), while the low was recorded in 2011 (133 units). Removing demolitions from inventory counts, the net gain in local multi-dwelling supply for the decade was 5,301, an annual average of 530 units. This surpassed the annual average of 428 multi-dwelling additions during the 1980s and the 440-unit average of the 1990s.

While the bulk of existing multi-dwelling supply is found in the City of Knoxville, the county balance edged out the City in net additions between 2000 and 2010, capturing 2,858 new units, a 51 percent share of net new supply. The City netted 2,709 units during the period.

An additional 454 units were placed in the suburban balance since 2010, while City development saw 413 new multi-dwellings.

Table 3: Multi-Dwelling Construction in Knox County, 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
New Construction	960	337	817	889	613	516	818	133	562	651	6,296
Demolitions	348	54	7	13	3	66	25	259	217	3	995
Net Additions	612	283	810	876	610	450	793	-126	345	648	5,301

Source: Knoxville / Knox County Metropolitan Planning Commission, *Development Activity File*, 2004-2013.



Table 4: Residential Property Inventory Net Growth, 1980-2013

	1980-1990		1990-2000		2000-2010		2010-2013	
	Net Gain	% Growth	Net Gain	% Growth	Net Gain	% Growth	Net Gain	% Growth
CITY OF KNOXVILLE								
Single dwelling	562	1.2	5,519	12.1	4,491	8.8	370	0.7
Multi-dwelling	2,656	9.5	2,925	9.5	2,709	8.1	413	1.1
Total	3,218	4.4	8,444	11.0	7,200	8.5	783	0.9
KNOX COUNTY BALANCE								
Single dwelling	12,934	27.2	17,939	29.7	19,807	25.3	2,596	2.6
Multi-dwelling	1,627	32.1	1,474	22.0	2,858	35.0	454	4.1
Total	14,561	27.7	19,413	28.9	22,665	26.2	3,050	2.8
CITY AND COUNTY TOTAL								
Single dwelling	13,496	14.6	23,458	22.1	24,298	18.7	2,966	1.9
Multi-dwelling	4,283	12.9	4,399	11.8	5,567	13.3	867	1.8
Total	17,779	14.1	27,857	19.4	29,865	17.4	3,833	1.9

Note: Demolitions from 2001-2013 are included to report net changes in total inventory.
Sources: U.S. Census Bureau, *Census of Population and Housing*, 1980, 1990, and 2000.
Knoxville / Knox County Metropolitan Planning Commission, *Development Activity File*, 2001-2013.



LOCAL MULTI-DWELLING SUPPLY BY SECTOR

MPC divides Knox County into 12 sectors for detailed planning analysis. Consistent with the urban/suburban split in multi-dwelling inventory characterized earlier, Knoxville's Central City Sector led all others in total supply, holding nearly 30 percent of areawide inventory with 13,700 units. The Central City, home to The University of Tennessee's on- and off-campus apartment complexes and several public housing developments, accounted for more units than found in all county sectors combined. Next largest city sector holdings were West, Northwest, and North Knoxville. Only one county sector, Northwest, with 7,300 multi-dwellings, heavily outpaced any city sector.

A note of interest—county sectors recorded a net gain of 585 new multi-dwellings between 2010 and 2013, double the amount placed in city sectors. However, during that period, there were several demolitions, comprising 504 multi-dwelling units, all of which occurred in city sectors. As a result, investment in city-sector multi-dwellings was greater than county sectors, but it was masked by the net gain figure.

In the last 10 years, multi-dwelling units accounted for 71 percent of residential units constructed in the Central City Sector, the largest share among all planning sectors. South and West City reported second and third highest rates, with 48 and 44 percent shares, respectively. At the other end of the scale, East and Northeast County Sectors had the smallest shares.

**Table 5:
Inventory of Multi-Dwelling Units
by Planning Sector, 1990-2013**

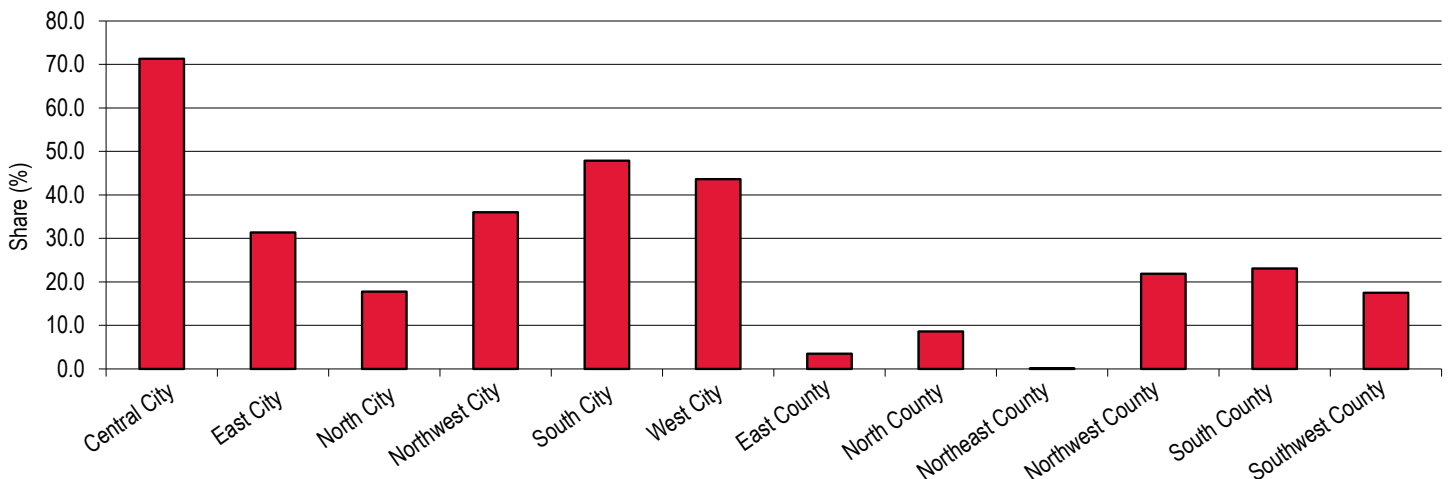
Sector	1990	2000	2010	2013
CITY				
Central	12,049	11,977	13,474	13,727
East	2,399	2,817	3,054	3,046
North	4,056	3,981	4,410	4,448
Northwest	3,989	4,398	4,818	4,813
South	2,332	3,211	3,465	3,467
West	4,676	5,045	5,048	5,050
City Total	29,501	31,429	34,269	34,551
COUNTY				
East	138	164	236	236
North	905	1,346	1,664	1,664
Northeast	211	226	233	233
Northwest	4,640	5,549	6,875	7,268
South	495	504	849	849
Southwest	1,521	2,592	3,251	3,443
County Total	7,910	10,381	13,108	13,693
TOTAL	37,411	41,810	47,377	48,244

Note: Demolitions from 2001 to 2013 are included.

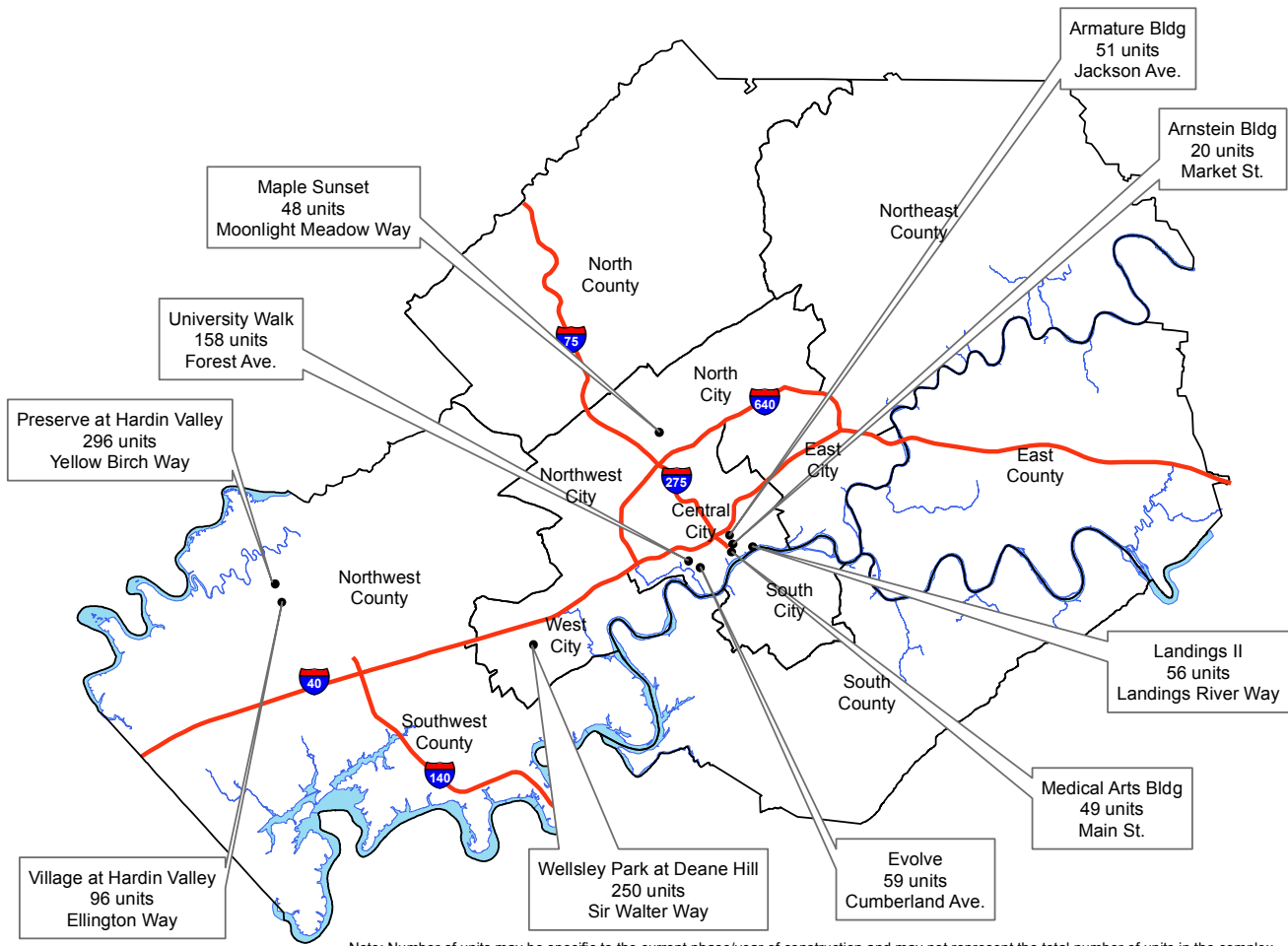
Sources: U.S. Census Bureau, *Census of Population and Housing*, 1990 and 2000.
Knoxville / Knox County Metropolitan Planning Commission, *Development Activity File*, 2001-2013.



Figure 1: Multi-Dwelling Share of Residential Permits by Planning Sector, 2004-2013



Major Multi-Dwelling Construction Projects, 2011-2013



Note: Number of units may be specific to the current phase/year of construction and may not represent the total number of units in the complex.

Among major multi-dwelling projects in the past three years, five were completed in the Central City, notably including JFG Flats (53 units), The Landings (150 units), and Minvilla Manor (57 units) near downtown Knoxville. Suburban projects included Amberleigh Bluff (336 units) in the Southwest County and Legends at Oak Grove (264 units) in the North City Sector.

Table 6: Major Multi-Dwelling Construction Projects in Knox County, 2011-2013

Project Name	Location	Planning Sector	Permitted Units
2011			
Maple Sunset	Moonlight Meadow Way	North City	48
2012			
Arnstein Building	Market St.	Central City	20
Armature Building	Jackson Ave.	Central City	51
Village at Hardin Valley	Ellington Way	Northwest County	96
Wellsley Park at Deane Hill	Sir Walter Way	West City	250
2013			
Medical Arts Building	Main St.	Central City	49
The Landings II	Landings River Way	Central City	56
Evolve	Cumberland Ave.	Central City	59
University Walk	Forest Ave.	Central City	158
The Preserve at Hardin Valley	Yellow Birch Way	Northwest County	296



MARKET RENTS AND OCCUPANCY RATES

To examine recent trends in rent rates and occupancy levels, our focus shifts specifically to the apartment segment of the multi-dwelling market:

Rents

Since 2004, rents in the *All Units* category of apartment supply increased 26 percent from \$581 per month, to \$732 per month in 2013. The largest rent gain (41 percent) during this period was found among *Efficiency* units, reaching \$540 per month in 2013, while *Two Bedrooms, Two Baths* and *Two Bedrooms, 1.5 Baths* showed the least improvement (22 percent). This year's rents are the highest recorded in the last decade for all types of units.

Across the South, median asking rents showed little change since last reported in 2010, reaching \$1,011 in 2012, according to the U.S. Census Bureau's *Survey of Market Absorption*. Rent gains were moderate at the national level, climbing from \$1,066 in 2010 to \$1,096 in 2012.

Figure 2: Average Apartment Rent in Knox County, 2013

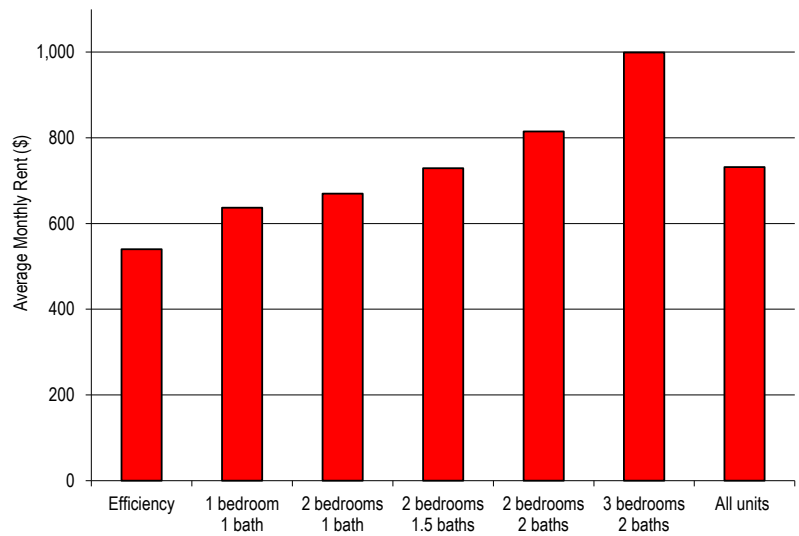


Table 7: Average Monthly Apartment Rents (\$) in Knox County, 2004-2013

Unit Type	2004	2005	2006	2007	2008	2009	2010	2011	2013	10-Year Change (%)
Efficiency	383	453	418	456	450	465	464	516	540	41.0
1 bedroom, 1 bath	458	506	485	555	557	574	554	583	637	39.1
2 bedrooms, 1 bath	513	574	538	595	593	602	607	625	670	30.6
2 bedrooms, 1.5 baths	597	635	592	685	675	680	667	702	729	22.1
2 bedrooms, 2 baths	669	686	706	774	748	764	757	813	815	21.8
3 bedrooms, 2 baths	766	800	805	904	914	912	902	968	999	30.4
All units	581	609	591	662	656	666	658	701	732	26.0

Occupancy Rates

Knox County's overall apartment market maintained occupancy levels at or above 90 percent throughout the last ten years. Rates peaked in 2006, with the *All Units* category registering 95.1 percent occupancy, while the lowest average was seen in 2009, 90.8 percent occupancy.

Among the unit types, *Two Bedrooms, 1.5 Baths* and *Three Bedrooms, Two Baths* categories notched the highest occupancy rates in 2013, with 96.9 percent and 95.4 percent, respectively.

When compared to national market averages, apartment occupancy in Knox County was consistently one to five percentage points higher each year over the past decade. Although local occupancy rates annually outpaced the nation's, the 10-year trend lines were parallel, with the exception of an anomalous uptick for Knox County in 2010.

Figure 3: Average Apartment Occupancy, 2004-2013

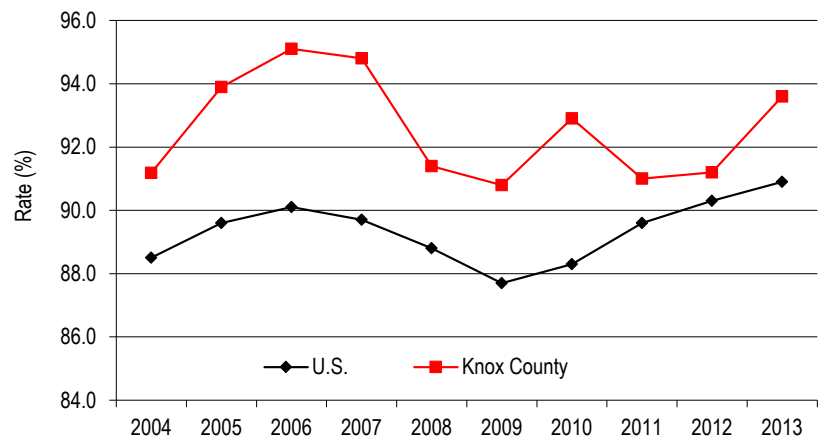


Table 8: Apartment Occupancy Rates (%) in Knox County, 2004-2013

Unit Type	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Efficiency	86.3	87.9	94.4	92.2	94.3	83.8	93.9	88.1	88.6	94.7
1 bedroom, 1 bath	92.0	93.6	94.1	95.1	92.0	92.0	94.2	90.9	92.4	93.4
2 bedrooms, 1 bath	89.1	92.1	90.2	93.0	87.7	92.5	88.0	87.0	90.1	92.6
2 bedrooms, 1.5 baths	93.1	96.9	97.1	93.3	92.5	93.1	96.3	95.1	94.0	96.9
2 bedrooms, 2 baths	93.6	96.3	96.3	97.0	91.3	89.9	91.2	91.9	88.9	91.2
3 bedrooms, 2 baths	92.9	94.9	95.2	95.5	91.0	87.3	92.5	87.3	92.3	95.4
All units	91.2	93.9	95.1	94.8	91.4	90.8	92.9	91.0	91.2	93.6

Note: Rents and Occupancies are reported for apartment units only. Duplexes, triplexes, and four-plexes are not included in this summary.
Source: Apartment Association of Greater Knoxville, *Quarterly Market Analysis*, 2004-2013.

MULTI-DWELLING HOUSING MARKET OUTLOOK

Since 2008, economic uncertainties and tight lending practices led many Knox County citizens to rental housing rather than homeownership. As a result, the share of renter-occupied units climbed from 33 percent of all housing units in 2008 to 36.4 percent in 2012.

Historically, non-family households accounted for the majority of renter-occupied units, but family households are increasingly occupying rentals, closing the gap between the two occupant types. The number of families in rental units grew from 21,000 in 2008 to almost 30,000 in 2012, while non-family householders in rental properties dropped over the last five years to 37,500.

The type of units rented also has shifted. Single-dwelling rentals were up from a 27.9 percent share of local rental housing inventory in 2008 to 34 percent in 2012. Conversely, multi-dwellings lost market share, down from 62.7 percent in 2008 to 54.2 percent in 2012.

Figure 4: Renter-Occupied Households in Knox County, 2008-2012

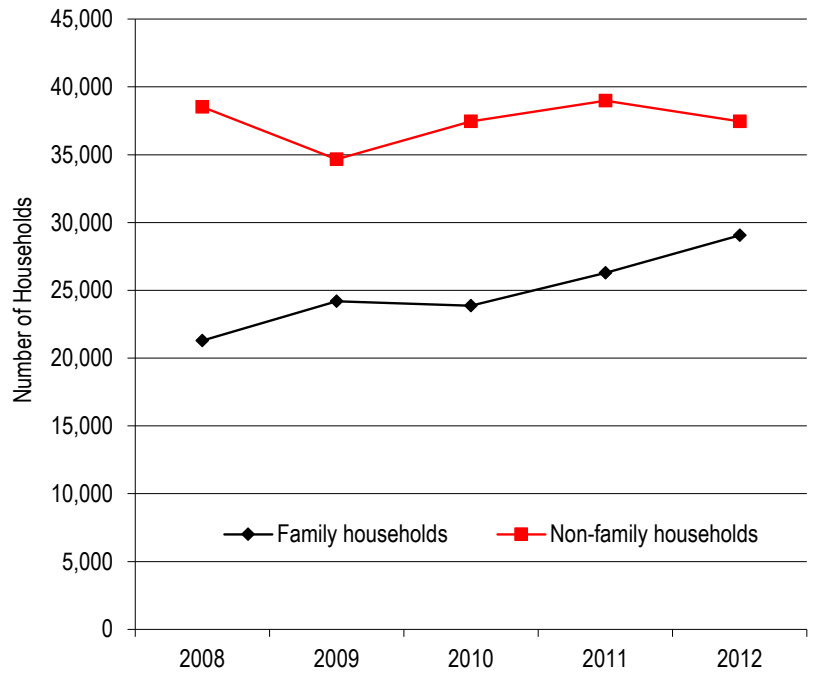
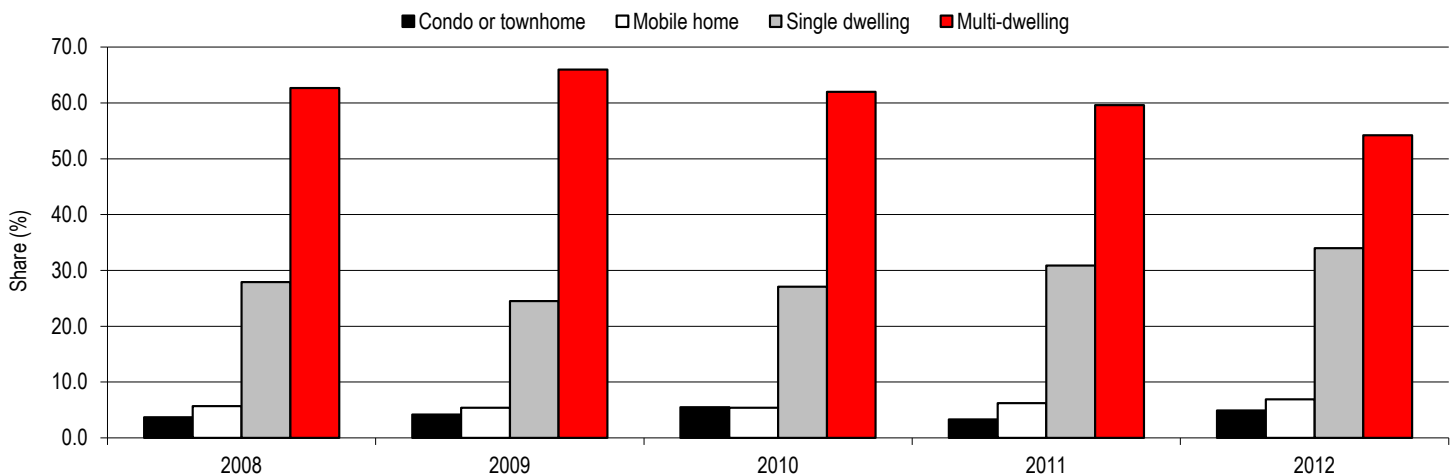


Figure 5: Renter-Occupied Units by Type in Knox County, 2008-2012



Demographic shifts and changing consumer preferences also have influenced the rental housing market. According to the U.S. Census Bureau, the largest segment of householders opting for rentals is comprised of persons under 35 years of age, the demographic generation known as Millennials (ages 18 to 34 years). In 2012, Knox County's Millennials, numbering 114,000 people, held 45 percent of all renter-occupied units.

Not only do Millennials represent the largest demographic segment, they are the fastest growing group, with numbers up 11.3 percent since 2008. Their preference for rental housing over homeownership is shaped by high housing prices, increasing educational costs, lack of accumulated wealth, and declining employment opportunities. The size and breadth of the Millennial population is expected to support continued growth in demand for rental housing in the foreseeable future.

Table 9: Population by Demographic Generation in Knox County, 2008-2012

Generation	2008	2009	2010	2011	2012	5-Year Change (%)
Generation Z	95,657	95,153	94,489	94,082	94,485	-1.2
Millennials	102,594	111,044	110,035	112,101	114,182	11.3
Generation X	93,412	90,189	88,950	87,344	86,816	-7.1
Baby Boomers	99,961	100,186	101,385	103,910	104,900	4.9
Silent Generation	38,395	39,153	38,249	39,492	40,928	6.6

Source: U.S. Census Bureau, *American Community Survey*, 1-Year Estimates, 2008-2012.

Note: Many sources report differing birth years to define generations. The following ages were used for cohorts: Generation Z, 17 years and under; Millennials, 18-34 years; Generation X, 35-49 years; Baby Boomers, 50-69 years; and Silent Generation, 70 years and over.

Investors have taken notice of Knoxville's demand for multi-dwelling living, recording a flurry of proposed and completed development activity over the last couple of years. Current interest in the local market could add 2,500 new units to area supply in short order.

Table 10: Proposed Multi-Dwelling Projects in Knox County

Project or Building Name	General Location	Units	Status
Former White Lily Building	222 N. Central St.	42	Under construction with expected completion in Fall 2014.
South Knoxville Apartments	1720 Island Home Ave.	220	Proposed with no set construction date.
Sutherland Apartments	2201 Sutherland Ave.	42	Proposed with no set construction date.
Former JC Penney Building	412 S. Gay St.	22	Developer secured loan and expects construction to start early 2014.
Former Arby's Building	430 S. Gay St.	9	Proposed with no set construction date.
Former KUB Building	626 S. Gay St.	Not disclosed	Commercial and residential proposed.
Evolve CityView	850 E. Hill Ave.	172	Developer recently purchased site and proposed development.
Fort Sanders Apartments	Block of Clinch Ave. and Laurel Ave.	300	Two apartment buildings, one is six stories and other is three stories. Proposed.
Former State Supreme Court Building	Block of Henley St., Cumberland Ave., Locust St., and Church St.	215	Design review phase with no set construction date.
Evolve	2010 Cumberland Ave.	59	Under construction with expected Fall 2014.
Knoxville Riverwalk at the Bridges	137 E. Blount Ave.	500	Demolition of hospital on site.
Former John H. Daniel Building	120 and 124 W. Jackson Ave.	90	Proposed with no set construction date.
Marble Alley	Block of State St., Union Ave., Commerce Ave., S. Central St.	147	Design review phase with proposed construction to start 2014.
Northshore Town Center	2000 Willow Loop Way	250	Design review.
Evergreen at the Bluffs	400 E. Beaver Creek Dr.	119	Proposed additional units to existing complex.
Cottages on Tazewell	East of Fountain City	231	Proposed with no set construction date.
The Cumberland	17th St. and White Ave.	Not disclosed	Proposed with no set construction date.
Total		2,418	

Note: Projects are reported from various sources, and the status listed represents information available at the time of announcement.



Additional Information

The Metropolitan Planning Commission assembles and maintains an extensive collection of research materials on local and national property markets, including Office Market Analysis, Shopping Center Market Analysis, Industrial/Warehouse Space Inventory, Development Activity Report, and other special projects. Contact the MPC library or visit www.knoxmpc.org for more information.