



KNOXVILLE, TN

PLUM LENDING MARKET SPOTLIGHT



PLUM LENDING MARKET SPOTLIGHTS ARE INTENDED TO GIVE INVESTORS AND BORROWERS A DETAILED OVERVIEW OF THE INFORMATION THAT IS ALLOWING PLUM TO PLACE COMMERCIAL REAL ESTATE DEBT IN GROWING MARKETS

PLUM MARKET SPOTLIGHT - KNOXVILLE, TN

- The Knoxville metro has a 2020 Census population of 879,773 and is the 3rd largest MSA in Tennessee
 - The city of Knoxville is ranked within the top 50 of US News & World Report's (2021-2022) 150 best places to live. The median age for the metro is 41 years, while the median household income in 2019 was \$56,623.
 - Knoxville, TN has been ranked by Forbes as one of the best places to retire in 2021 and within the top 20 for best places to retire by US News & World Report.
- The MSA houses the Oak Ridge National Laboratory, the largest US Dept. of Energy facility for science and energy research, which includes the Summit supercomputer (U.S.'s most powerful supercomputer), the National Transportation Research Center, and spallation neutron source.
- Amazon is underway on multiple developments in the metro, including a 219,000 SF delivery center at the former East Towne Mall in Knoxville (delivery in 2022 and a \$200 MM 634,000 SF fulfillment center in Alcoa (set to be operational October 2022). Amazon has invested \$13 BN+ into Tennessee since 2010, including infrastructure and compensation.
- The Tennessee Valley Authority helped create or retain 67,000 jobs during FY 2020 (intersecting with the pandemic), and helped bring over \$8.6 BN in capital investment to the Tennessee Valley (of which the Knoxville MSA is part of).
- PWC's 2022 Emerging Trends in Real Estate report Knoxville as one of their niche markets in the Boutiques category, defined as a market with lively downtowns, diversity in leisure, cultural, and natural/outdoor amenities. Additionally, Boutiques have stable economic bases that have been more resistant to the covid-19 downturn vs. other markets.
- The city of Knoxville holds a AAA credit rating from Fitch while Knox County holds an Aa1 rating from Moody's.

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MSA Overview:

Previously home to the 1982 World's Fair, the Knoxville MSA is the third largest in Tennessee and makes up a major part of the larger East Tennessee - Knoxville CSA region (population of 1.15 MM+). Knox County is the most populated county in the MSA with over 478,000 people, and is also where three heavily trafficked interstates converge, I-40, I-81, and I-75. Aside from the area's natural beauty, some of the main draws for residents to the metro are the variety of outdoor activities available year-round, high-quality and lower cost lifestyle, diverse housing options, variety of arts and culture, and the stable jobs market. The metro is ranked within the top 50 of US News & World Report's (2021-2022) 150 best places to live, and has been ranked within the top 20 of its list of best places to retire.

Residents in the MSA have access to a rich urban wilderness located just three miles from Downtown Knoxville (containing over 50 miles of multi-use trails that connect multiple parks and cultural sites), two national forests, nine state parks, and more than 1,000 waterways. Additionally, the city of Knoxville is within a 40 mile drive to the Great Smoky Mountains National Park (the #1 most visited National Park in 2020 with 12.1 MM visitors), which spans over 520,000 acres throughout Tennessee and North Carolina. The area surrounding the Great Smoky Mountains offers multiple attractions and resorts, including Dollywood, Blackberry Farm, Ripley's Aquarium of the Smokies, and the Lost Sea (the U.S.'s largest underground lake). Residents can enjoy activities throughout the region, such as paddling along the Tennessee River Downtown, cycling, hiking, fishing, boating, birdwatching, rock climbing, skateboarding, and taking in the wildflowers. Locals can also take part in a game of disc golf, visit Zoo Knoxville, hit the links at any of the multiple golf courses throughout the area, or go ziplining. The metro offers various splashes of culture and the arts, with the Knoxville Museum of Art, The Knoxville Symphony, and the Rossini Festival, as examples of such.

The flagship campus of the University of Tennessee system is located within Knoxville (also referred to as UTK). The campus is spread across 910 acres and 11 colleges, with over 30,000 enrolled and 900+ programs of study. The University contains one of the largest sports venues in the country, Neyland Stadium (capacity of over 102,000), and also houses the University of Tennessee Research Foundation (which has helped to accelerate advanced manufacturing in the US). UTK is ranked at 46 out of over 200 in US News & World Report's Top Public Schools for National Universities, and also within the top 75 for Best Colleges for Veterans. The area has seven other four-year colleges, taking enrollment past 40,000 students for the MSA.

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Economic Overview:

The Knoxville metro is located within a day's drive to 70% of US markets and serves as a major intersection for air, motor, rail, and waterway transit (prime location for commerce). Several employers have their headquarters in Knoxville, including Regal Cinemas, Summit Medical Group, The Tennessee Valley Authority, Clayton Homes, Inc., and Pilot Co. Firms such as Amazon have also taken an interest in Knoxville and have multiple developments underway. The Tennessee Valley Authority is the largest public power provider in the US (99.99% electric reliability since 2000) and has focused on economic development for the Tennessee Valley, helping to deliver over 340,000 jobs and \$45.4 BN in capital investment to the Valley within the past five years.

The metro's diverse industry mix includes utilities (70,000+), professional services (60,000+), education and healthcare (50,000+), manufacturing (39,000+), and leisure and hospitality (38,000+). Major public or private sector employers in the MSA and around the region consist of the U.S. Department of Energy (17,000+), Covenant Health (11,000+), Knox County schools (9,500+), and University of Tennessee (8,900+). The U.S. Department of Energy includes the Y-12 National Security Complex and the Oak Ridge National Laboratory. The Oak Ridge National Laboratory is the largest US Dept. of Energy facility for science and energy research in the country (by size) and includes the Summit supercomputer (U.S.'s most powerful supercomputer), the National Transportation Research Center, and spallation neutron source at its facilities. University of Tennessee Knoxville and Battelle Memorial Institute (UT-Battelle) manage and operate the laboratory with a \$2.4 BN budget. Founded in 1996, Covenant Health is a community health system headquartered in Knoxville that consists of 10 hospitals in and around the Knoxville CSA, outpatient and specialty services, and its own primary care group, Covenant Medical Group. The system holds an A+ rating from Fitch has over \$1.6 BN in total assets.

As of October 2021, the unemployment rate in the Knoxville metro is 3.3%. Median home prices in the Knoxville MSA have increased over 21.6% compared to Nov. 2020 to \$295,000 (Knoxville Area Association of Realtors), though they are still affordable vs. major west coast markets. Per capita personal household Income has increased from \$34,979 in 2010 to \$50,540 in 2020, representing an increase of 44.5%, or a compound annual growth rate (CAGR) of 3.7%.

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Commercial Real Estate Trends:

All property types in Knoxville have held up relatively well throughout COVID compared to major markets. Occupancy levels are high across all major asset classes (Industrial = 98%, Office = 95%, Retail = 97%, Multifamily = 97%). The multifamily sector in Knoxville is seeing the fastest annual rent growth, at over 13%. Retail and office rents are both positive on the year, both growing at approximately 3%.

Development Activity:

Dover Signature Properties and Bristol Development are constructing 63-units of flexible-term apartments at the former State Supreme Court site (expected Spring 2022), as well as the 237-unit Chuch+Henley multifamily property (expected Fall 2022) for \$76 MM+. The developers have a PILOT tax freeze agreement for the project.

Sales Activity:

On November 2nd, Views at West Town sold for \$31,000,000 or approximately \$159,794/Unit. The 194-unit, Class C apartment complex was built in 1981. The property previously sold for \$20,500,000 in June 2020.

In October 2021, a self-storage portfolio consisting of 8 properties across Knoxville sold for \$54,700,000 to National Storage Affiliates Trust (NYSE: NSA). The portfolio was comprised of 3,452 units situated on a combined 42.92 acres of land.

Lease Activity:

In October 2021, Crumbl Cookies signed a lease for 1,600 SF at 6672 Clinton Hwy at a rental rate of \$38/SF. This will be Crumbl Cookies' first location in the Knoxville MSA.

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