



NEWS RELEASE

Suite 404, City County Building
400 Main Street
Knoxville, TN 37902
www.knoxmpc.org
(865) 215-2500 Fax (865) 215-2068

Contact: Mark Donaldson
Phone: 215-2500

For Immediate Release
February 23, 2009

Knoxville's Office Property Market Indicators Show Mixed Outlook

According to the Metropolitan Planning Commission's recently published 2008 Office Market Analysis, performance indicators in Knoxville and Knox County's office property market were mixed for 2008. While rentable supply was down this year, demand remained positive resulting in modest improvements in local vacancy rates.

Slowed construction and continued absorption helped the office vacancy rate drop to 10.5 percent this year, down from 12.6 percent in 2007. Knoxville's downtown and suburban markets vacancy rates improved to 11.9 and 9.7 percent, respectively, marking the lowest vacancies in four years.

Knoxville's supply of office market began to show signs of the slowdown from the economic turmoil that has impacted markets across the country. Although rentable supply grew 1.4 percent in 2008, this rate was well below the annual average of 4.5 percent this decade. Fourteen properties accounted for the inventory growth, 11 of which were new construction comprising 214,807 square feet. The three largest projects

completed this year include Century Park IV on Investment Drive, Water's Edge III on Mabry Hood Road and the Tennessee Bureau of Investigation Office and Lab.

Downtown currently has the most office space of Knox County's six office sub-markets accounting for 26 percent of all rentable square footage. However, Downtown continues to experience the loss of rentable office space to residential conversion with the removal of the Daylight Building and the Farragut Building for residential and retail use. The Pellissippi sub-market remains the fastest growing area increasing 4.3 percent with nine new office buildings in 2008. The highest vacancy rate was in the West City sub-market, which reported 13.2 percent availability.

Knoxville fared well in 2008 when compared to office property markets in other areas of the U.S. Nationwide vacancy averages climbed ending the third quarter of 2008 at 14.1 percent. While new office construction was up 19 percent over last year's levels, absorption was not able to keep pace with supply. Although there were a few bright markets, the national and regional performance numbers indicate a struggling office market segment overall.

In 2009, Knoxville's rentable office space should increase another 296,000 square feet based on anticipated project completions. Brookview Town Center on Weisgarber Road will contribute the largest share adding 200,969 square feet when completed.

The complete 2008 Office Market Analysis with statistics on more than 500 Knox County buildings can be purchased for \$75 and a PDF version is available for \$50.00. Call 215-2500 or stop by the MPC office at 403 City County Building.

###