



NEWS RELEASE

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Knoxville's Retail Space Inventory Grows While Vacancies Climb

Knoxville's shopping center market saw varied market indicators between 2006 and 2008 with a 4.8 percent increase in gross leasable space while vacancies reached 9.2 percent areawide, as detailed in the Metropolitan Planning Commission's recently published 2008 Shopping Center Market Analysis.

Since 2006, the local market has added 744,406 square feet of gross leaseable area, an increase of 4.8 percent. However, during this period, vacancies climbed from 6.5 percent in 2006 to 9.2 percent in 2008.

Performance among Knoxville's sub-markets varied widely. Farragut/Pellissippi was the fastest growing sub-market, up 13 percent in leasable retail space since 2006, while no new retail space was added in the East sub-market. Vacancies ranged from a high of 12.3 percent in the Chapman/Alcoa area to 1.9 percent in the East.

The Farragut/Pellissippi sub-market continued to garner most of the new retail since 2006. In addition to numerous smaller strip centers, The Kroger at Brooklawn

Village contributed 119,000 square feet of grocery products and an additional 200,000 square feet of surrounding retail space. Harvest Park shopping center in the Broadway/North sub-market gained more than 155,000 square feet of retail space. The closing of Dillards at Knoxville Center Mall and Kmart on Kingston Pike influenced the rise in vacancies.

Although construction continued on several projects that were already in development including the expansion of the Colonial Pinnacle at Turkey Creek (Best Buy, Belk, Marshalls and Off Broadway Shoe Warehouse) and the new JC Penney, with local vacancies on the rise, many new projects such as the Super Walmart and Home Depot on Norris Freeway have been postponed until economic conditions improve.

Nationwide, vacancy rates increased from 7.5 percent in 2007 to 9.3 percent in 2008 in the face of a weakening economy. New retail supply fell 47 percent from 75 million square feet to just over 40 million square feet. The closing of many national department stores including Goody's, Linen's and Things, Steve and Barry's and Circuit City had a direct affect on the Knoxville market.

The Shopping Center Market Analysis is a bi-annual publication that examines national and local retail property conditions including construction activity, space absorption and lease rates. It 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.

The information for this report was gathered during December 2008 and represents a snapshot of the Knoxville shopping center property market as of December 31, 2008.

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