



NEWS RELEASE

Suite 403, 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

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Vacancies Rise in Knoxville's Office Market

New construction coupled with decreased demand resulted in an increase of Knoxville's office market vacancy rate according to the Metropolitan Planning Commission's recently released 2009 Office Market Analysis.

The areawide vacancy rate for 2009 grew to 13.4 percent from 10.5 in 2008. While the suburban market jumped significantly from 9.7 percent last year to 14.0 percent in 2009, the downtown rate increased only slightly from 11.9 percent to 12.1 percent. Both areawide and suburban rates reached ten year highs.

Knoxville's new construction along with a growing amount of available office space, created negative absorption rates in all three market divisions – areawide, suburban and downtown. The suburban market attracted 450,741 square feet of new office space in 2009. The 240,000 combined square feet of space available in Parkside Centre and Brookview Town Centre also played a significant role in suburban supply outpacing demand.

Although the downtown market did loose some occupants, it also experienced a loss in rentable office space as the Farragut Building was converted to more than 87,000 square feet of residential space. Metropolitan Plaza and Marble Alley are two projects that could add new office space downtown, but for now both projects remain on the drawing table.

When measured against national and regional markets, Knoxville was spared some of the harsher effects of the economic downturn. Nationally, metropolitan vacancy rates rose from 14.1 percent in 2008 to 17.2 percent in 2009. All southeast regional metropolitan markets recorded double digit vacancy rates. Knoxville was outperformed only by Nashville's 13.3 percent, while Atlanta trailed all regional metro areas with a 21.5 percent vacancy rate.

The information for this report was gathered during the third quarter of 2009 and represents a snapshot of the market at that time.

The complete 2009 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. Call 215-2500 or visit the MPC office at 403 City County Building.

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