TECH REPORT SERIES

Downtown Knoxville's HOUSING MARKET

Date:
November 2009

For more information:
MPC Contact Person:
Bryan Berry
215-2500

MPC Web site & e-mail
www.knoxmpc.org
contact@knoxmpc.org

Fire Street Lofts
220 W. Jackson Avenue

Across the country increasing economic costs, environmental issues, and social concerns associated with sprawl have caused a growing segment of the population to favor an urban lifestyle over suburban living. This residential alternative is seen as a way to reduce personal economic and environmental expenditures, while increasing social capital. Many analysts believe this resurgence in downtown living is not short-term, but one that will continue in the foreseeable future.

While Knoxville's residential property trends do not always follow those at the national level, the city has experienced residential growth and renewed interest in downtown living. This report will examine Knoxville's downtown housing market by looking at total inventory, annual additions, construction investment, residential sales, and pricing per square foot.

"Social capital" refers to the collective value of all social networks (who people know) and the inclinations that arise from these networks to do things for each other (norms of reciprocity).

– The Saguaro Seminar
John F. Kennedy School
of Government at Harvard

KNOXVILLE·KNOX COUNTY
MPC
METROPOLITAN
PLANNING
COMMISSION
TENNESSEE

No.	NAME	ADDRESS	UNITS	SUBMARKET
1	110 S Central St	110 S Central St	3	North
2	113 S Central St	113 S Central St	1	North
3	118 E Jackson Ave	118 E Jackson Ave	2	North
4	119 S Central St	119 S Central St	1	North
5	128 S Gay St	128 S Gay St	1	North
6	129 S Gay St	129 S Gay St	1	North
7	133 S Central St	133 S Central St	2	North
8	133 S Gay St	133 S Gay St	1	North
9	137 S Gay St	137 S Gay St	2	North
10	14 Market Square	14 Market Sq	1	Central
11	18 Market Square	18 Market Sq	10	Central
12	215 Cumberland Ave	215 Cumberland Ave	1	South
13	27 Market Square	27 Market Sq	1	Central
14	29 Market Square	29 Market Sq	3	Central
15	304 S Gay St	304 S Gay St	1	Central
16	325 Union Ave	325 Union Ave	1	Central
17	4 Market Square	4 Market Sq	10	Central
18	411 Gay St Apartments	411 S Gay St	13	Central
19	415 Gay St Apartments	415 S Gay St	1	Central
20	503 W Clinch Ave Apartment	503 W Clinch Ave	1	Central
21	505 W Clinch Ave	505 W Clinch Ave	1	Central
22	516 W Jackson Ave	516 W Jackson Ave	1	North
23	714 Gay St Building	714 S Gay St	1	South
24	9 Market Square	9 Market Sq	2	Central
25	Burwell Building	602 S Gay St	20	South
26	Cable Piano Condos	422 S Gay St	2	Central
27	Candy Factory Lofts	1060 Worlds Fair Park Dr	47	Central
28	Carson	713 S Central St	3	South
29	Central Court Condos	111 S Central St	2	North
30	Century Building	314 S Gay St	2	Central
31	Cherokee Building	400 W Church Ave	10	South
32	Commerce Condos	120 S Gay St	11	North
33	Commerce Lofts	122 S Gay St	19	North
34	Cook Loft	722 S Gay St	1	South
35	Crown Court Condos	535 Locust St	16	Central
36	Cunningham Condos	707 Market St	5	South
37	Emporium	112 S Gay St	40	North
38	Farmers Traders Loft	141 S Gay St	1	North
39	Fire Street Lofts	220 W Jackson Ave	36	North
40	Gallery Lofts	402 S Gay St	13	Central
41	Glencoe	615 State St	5	South
42	Hanna Properties	131 S Central St	1	North
43	Hewgley Park Building	105 W Jackson Ave	11	North
44	Holston	531 S Gay St	43	Central
45	Hubris Building	113 S Gay St	5	North
46	Jackson Atelier Building	130 W Jackson Ave	16	North
47	Jackson Loft Apartments	121 W Jackson Ave	4	North
48	Jackson Warehouse Condos	129 W Jackson Ave	11	North
49	JFG Flats	200 W Jackson Ave	54	North
50	Keller Lofts	106 W Summit Hill Dr	4	Central
51	Kendrick Place	604 Union Ave	14	Central
52	Keystone Place	209 W Church Ave	5	South
53	Kings Row Condos	100 W Summit Hill Dr	8	Central
54	Lerner Lofts	401 S Gay St	15	Central
55	Mill Agents Lofts	121 S Gay St	3	North
56	Pembroke Condos	508 Union Ave	38	Central
57	Phoenix	418 S Gay St	18	Central
58	Promontory Point Condos	850 Volunteer Landing	20	South
59	Residences at Market Square	440 Walnut St	24	Central
60	Riverhouse Condos	614 W Hill Ave	16	South
61	Riverside Condos	550 Riverfront Way	31	South
62	Ryans Row	415 W Vine Ave	9	North
63	Sandstone Court	414 Clinch Ave	2	South
64	Sterchi Lofts	116 S Gay St	100	North
65	Stuart Condos	709 Market St	7	South
66	Summit Towers Apartments	201 Locust St	278	North
67	Watsons Market Square Condos	15 Market Sq	2	Central
68	Westmoreland Condos	135 S Central St	3	North
69	Whist Court	319 Gay St	6	Central
70	Willingham Garrets	102 W Summit Hill Dr	8	Central
	TOTAL		**1,051**	

Table 1: Downtown Residential Units

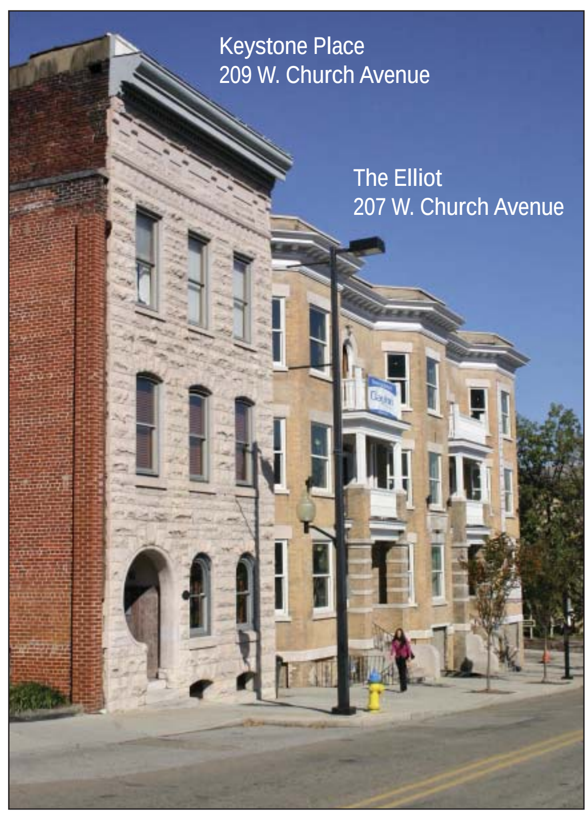
418 S. Gay Street

EXISTING INVENTORY

Downtown Knoxville, as defined in this report, is located within the boundaries of Central Street to the east, Neyland Drive to the south, Henley Street to the west, and Jackson Avenue to the north. Also included are Candy Factory Lofts, Promontory Point Condos, and Riverside Condos all of which are adjacent to the main study area. The downtown study area includes 419 parcels, totaling 136.4 acres, and 1,051 residential units, for an average density of 7.7 units per acre.

The Gay Street corridor has the greatest number of residential dwelling units with 320, while Jackson Avenue is second with 135. These two streets accounted for 43 percent or the largest portion of residential living downtown.

Among individual properties, Summit Towers Apartments, a senior independent living facility that rents exclusively to the elderly (62 and over) and disabled, recorded the largest number of units, 278. When these units were removed from the downtown study area, the average density dropped to 5.6 units per acre.



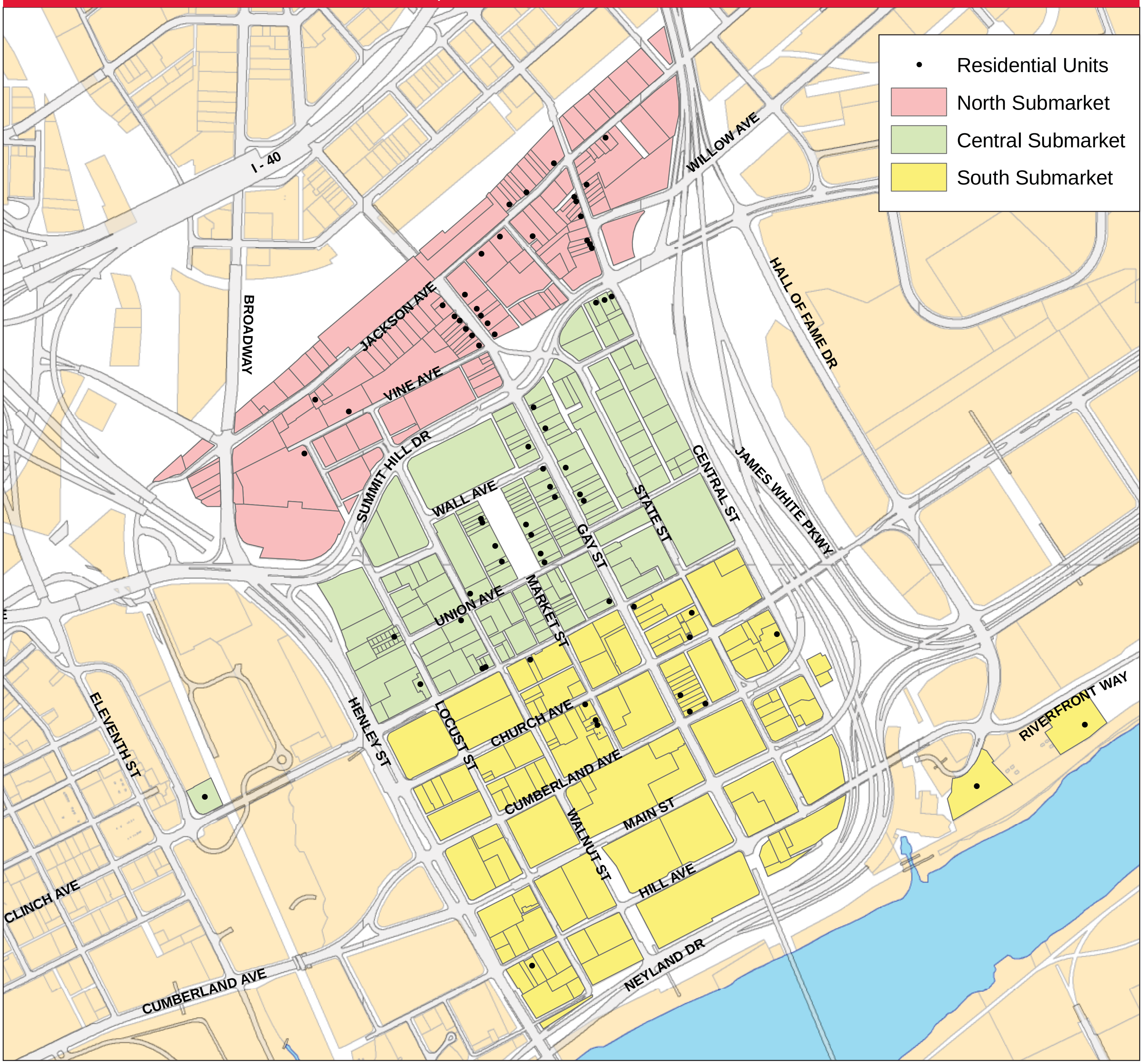
Keystone Place
209 W. Church Avenue

The Elliot
207 W. Church Avenue

DOWNTOWN SUBMARKETS

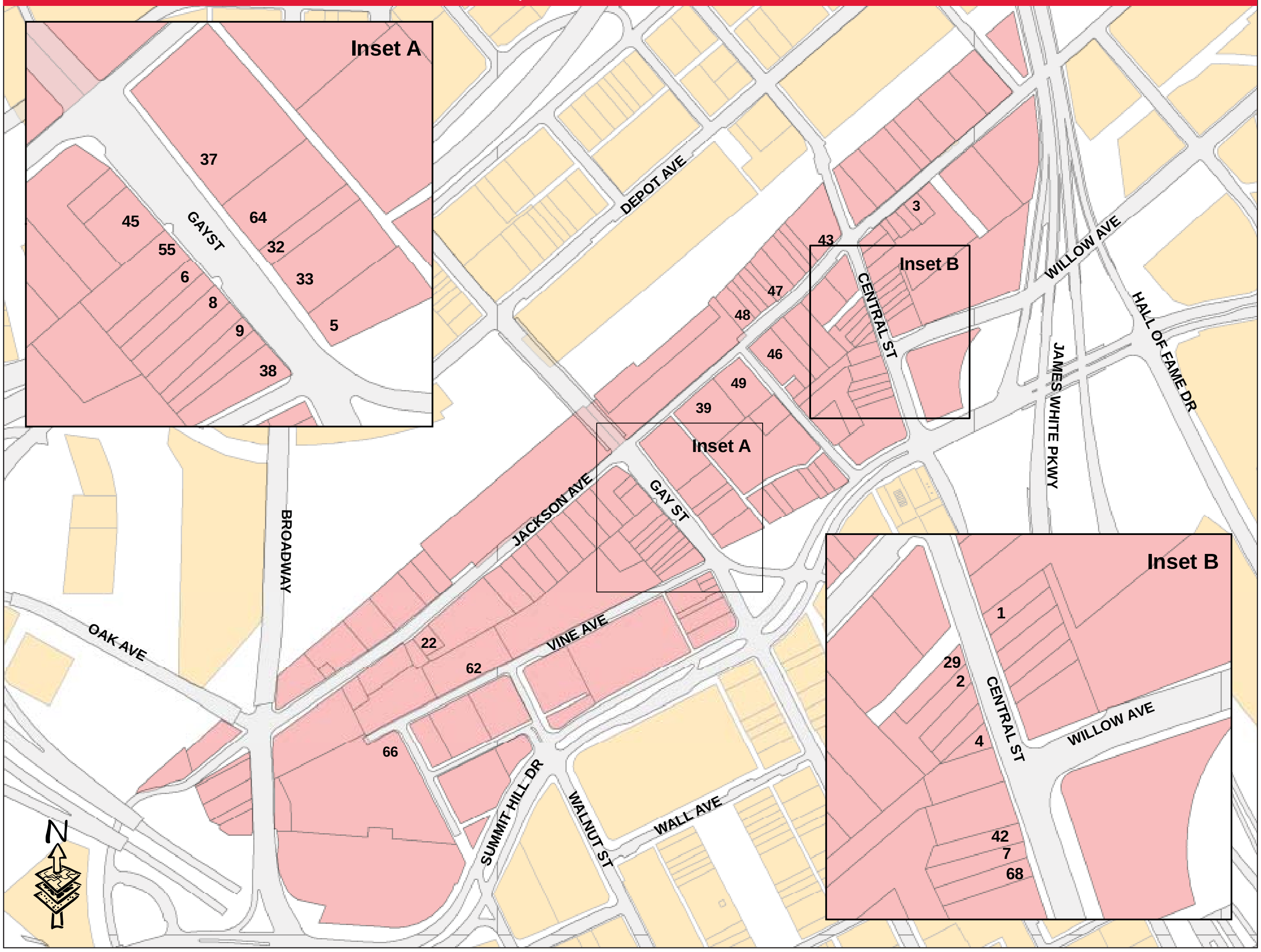
Downtown can be divided into three submarkets for closer examination: North, Central, and South.

Map 1: Downtown Submarkets



The North submarket is comprised of 619 units, or 59 percent of downtown's total inventory. This submarket recorded the greatest density at 15.4 units per acre, (or 8.5 units when Summit Towers Apartments was removed). Along with Summit Towers, Sterchi Lofts on Gay Street was the North area's second largest residential development with 100 units.

Map 2: North Submarket




Commerce Condos
120 S. Gay Street

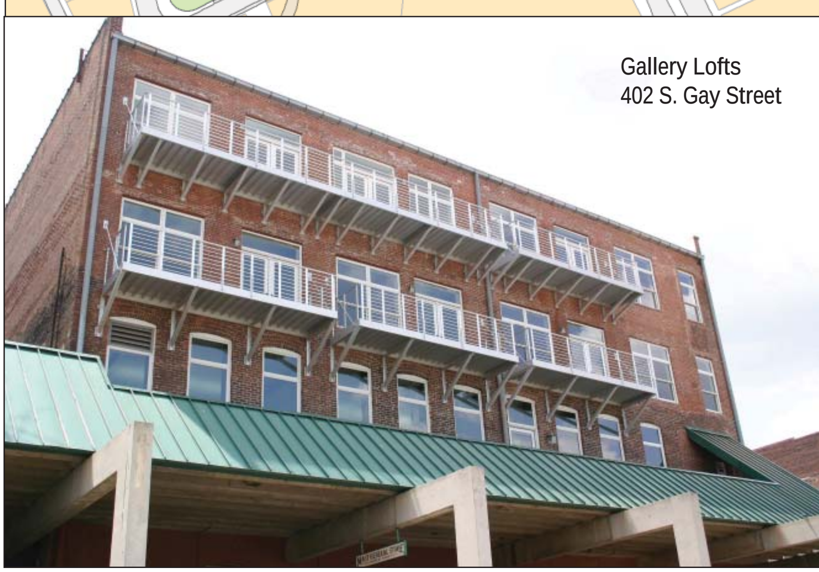
Commerce Lofts
122 S. Gay Street

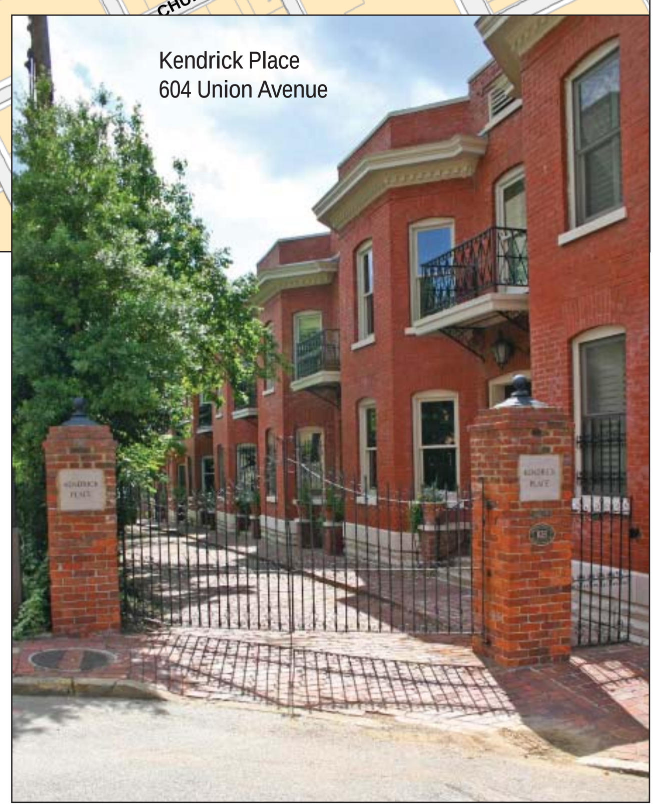
128 S. Gay Street


516 W. Jackson Avenue

Central accounted for 305 units, or 29 percent of the downtown total. The number of residential units per acre was 7.8. Candy Factory Lofts on Worlds Fair Park Drive and The Holston on Gay Street are the largest developments with 47 and 43 units, respectively.

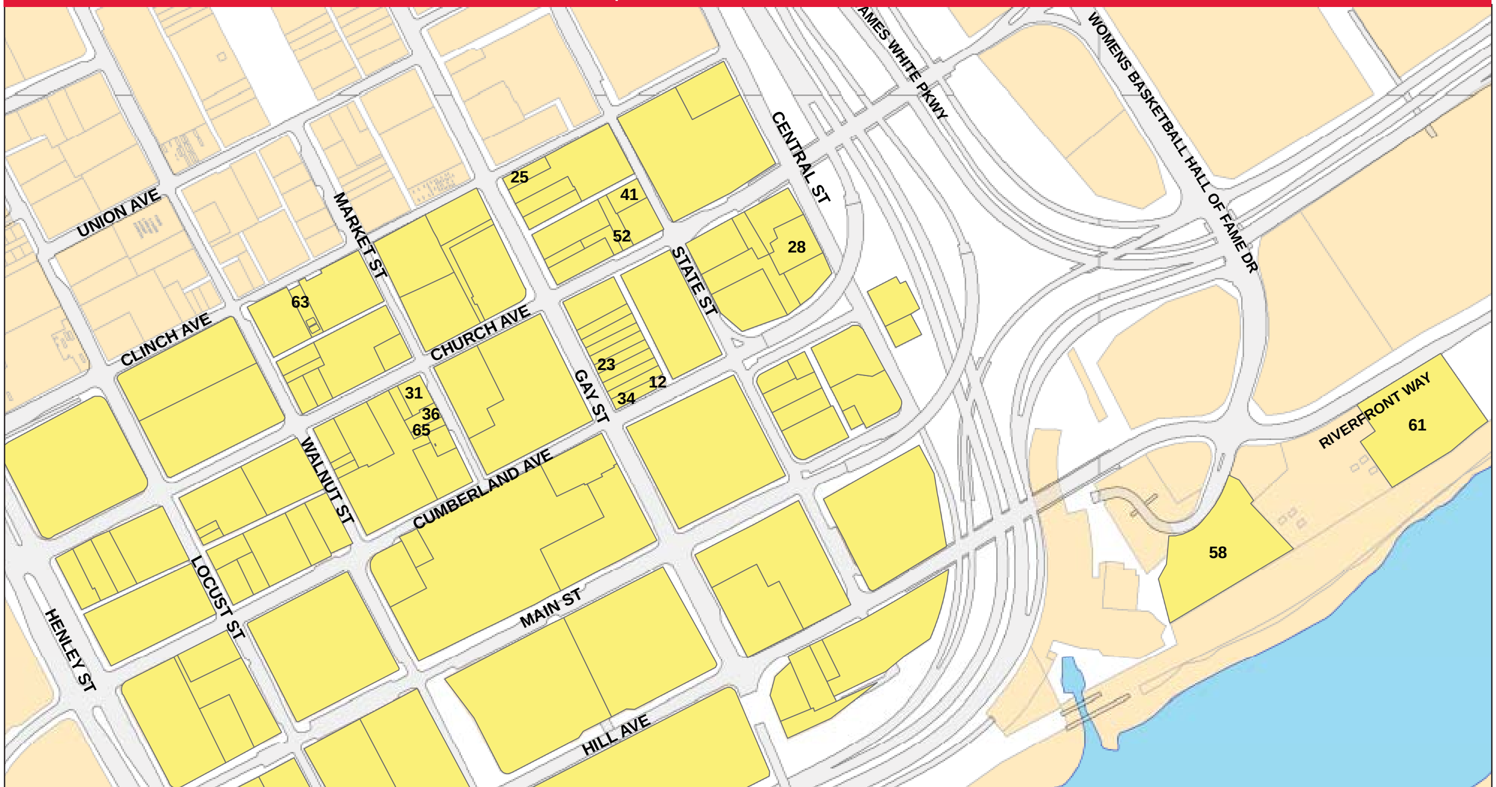
Map 3: Central Submarket


Gallery Lofts
402 S. Gay Street

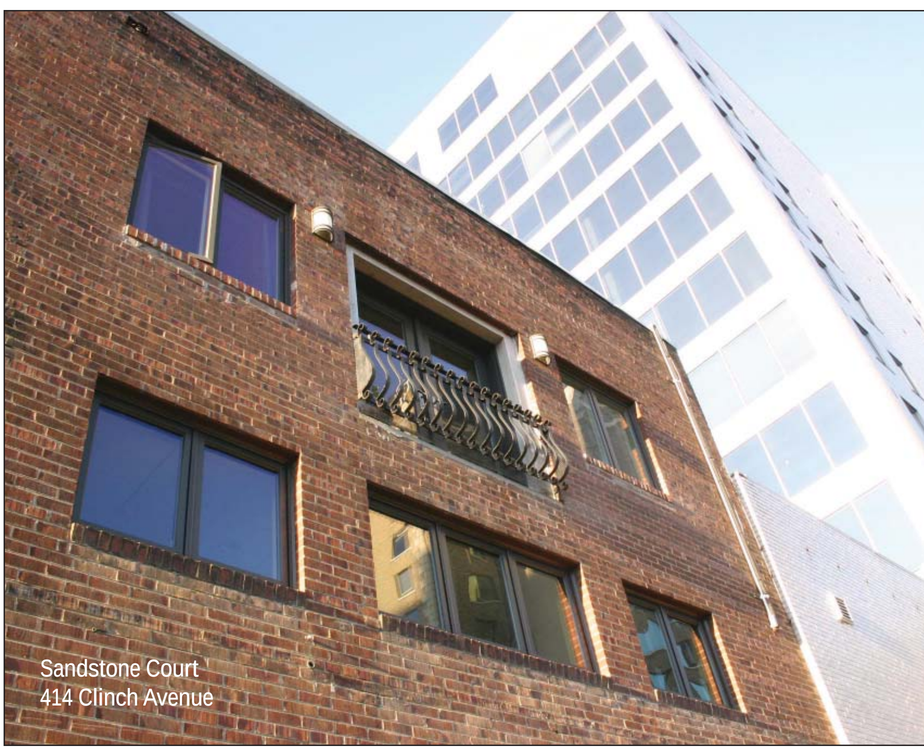

Kendrick Place
604 Union Avenue

South recorded 127 units, or 12 percent of the downtown total. This submarket registered the lowest density at 2.2 units per acre. Riverside Condos on Riverfront Way is the largest development (31 units).

Map 4: South Submarket




215 Cumberland Avenue


Sandstone Court
414 Clinch Avenue


The Carson
713 S. Central Street

ANNUAL ADDITIONS

The downtown residential market experienced dramatic growth in the past nine years. In 2000, there was approximately 535 residential unit's downtown. The number grew to 1,051 units by 2008, a 96 percent increase. Three of the largest developments during this period were Sterchi Lofts (100 units in 2002), JFG Flats on Jackson Avenue (53 units in 2008), and Candy Factory Lofts (47 units in 2006).

At the submarket level, North added 278 dwelling units, a 54 percent share of all new additions. In 2000, there were 341 units and in 2008 the number grew to 619, an 82 percent increase.

Central accounted for 197 new units, a 38 percent share of all new dwellings. In 2000, this submarket registered 108 units and increased 182 percent to 305 units in 2008.

South notched the remaining 41 new units, an eight percent share of all new additions. This submarket grew from 86 units in 2000 to 127 in 2008, a 48 percent increase.

The Holston
531 S. Gay Street

Table 2:
Downtown Residential Development, 2000 - 2008

YEAR	NAME	UNITS	SUBMARKET
2000	9 Market Square	1	Central
2001	27 Market Square	1	Central
2002	14 Market Square	1	Central
	Emporium	40	North
	Phoenix	10	Central
	Sterchi Lofts	100	North
2003	18 Market Square	10	Central
	516 Jackson Ave	1	North
2004	29 Market Square	3	Central
	Commerce Condos	1	North
	Cook Loft	1	South
	Keystone Place	5	North
	Lerner Lofts	15	Central
2005	Crown Court Condos	16	Central
	Fire Street Lofts	36	North
	Phoenix	8	Central
2006	Burwell Building	20	South
	Candy Factory Lofts	47	Central
	Carson	3	South
	Cherokee Building	10	South
	Gallery Lofts	13	Central
	Jackson Atelier Building	10	North
	Keller Lofts	4	Central
	Residences at Market Square	24	Central
	Sandstone Court	2	South
2007	Holston	43	Central
	Jackson Warehouse Condos	11	North
2008	129 S Gay St	1	North
	415 S Gay St	1	Central
	Commerce Lofts	19	North
	Glencoe	5	South
	JFG Flats	54	North
TOTAL		**516**	

Source: Knoxville/Knox County MPC Building Permit Database

Candy Factory Lofts
1060 Worlds Fair Park Drive

CONSTRUCTION AND RENOVATION INVESTMENT

As residential construction grew, so did dollar amounts being spent. Since 2000, over $80 million was invested in residential construction and renovation in downtown Knoxville, with an annual average of $8,896,468. The largest amount was recorded in 2002, a $23.8 million investment, or 30 percent of the total. Three of the larger projects that year were Sterchi Lofts (100 units), The Emporium (40 units), and The Phoenix (10 units), all on Gay Street.

Sterchi Lofts • 116 S. Gay Street

Table 3: Downtown Residential Investment 2000 - 2008

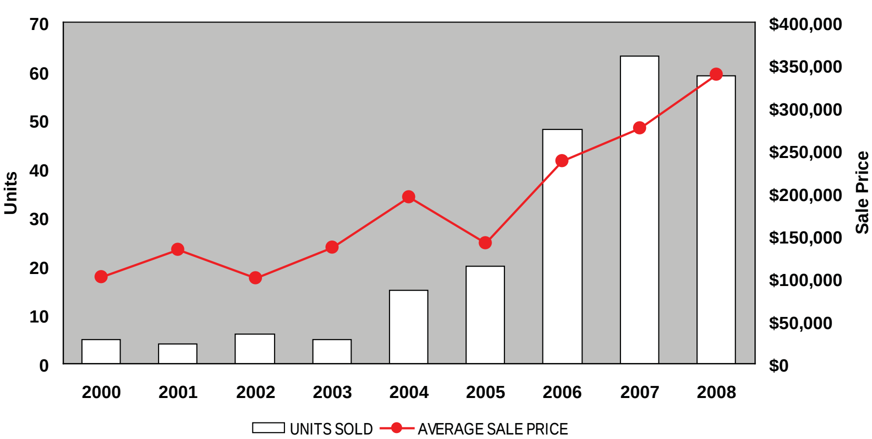
Year	Investment
2000	$200,000
2001	$140,000
2002	$23,765,000
2003	$135,000
2004	$1,685,000
2005	$8,200,001
2006	$16,908,210
2007	$18,000,001
2008	$11,035,000
TOTAL	**$80,068,212**

Residences at Market Square
440 Walnut Street

RESIDENTIAL SALES

The average residential sale price in downtown Knoxville began climbing in 2003 and aside from a dip in 2005 rose to $338,682 in 2008. In comparison, the number of units sold picked up in 2004 and rose dramatically during 2006 to 2008. This three year period of increased sale prices and units being sold was driven by a demand for upscale residential living downtown.

Figure 1: Downtown Residential Sales, 2000 - 2008



When compared to average condo sale prices in the Knoxville Metro area, downtown increased much more sharply. Since 2000, metro area sales grew 50 percent to an average of $162,100 in 2008, while downtown Knoxville increased 232 percent to $338,682 in 2008. The lowest average sale price in downtown was $100,083 in 2002. The highest average was reported in 2008.

401 S. Gay Street

Figure 2: Average Condo Sale Price, 2000 - 2008

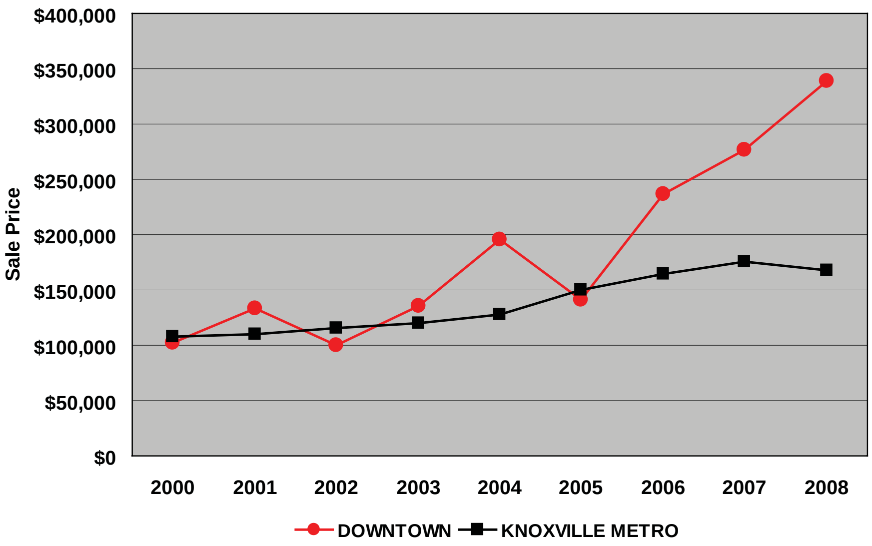


Table 5: Downtown Rental Market Rates		
UNIT	**DOWNTOWN**	**KNOX COUNTY**
Studio	$500 - $600	$465
1 bedroom, 1 bath	$675 - $1,250	$574
2 bedroom, 1 bath	$895 - $1,395	$602
2 bedroom, 2 bath	$995 - $1,595	$764
3 bedroom, 2 bath	$1,400 - $1,800	$912
4 bedroom	$2,000 +	N/A

Source: The downtown rate shows a range for each unit compiled from multiple properties and sources. The Knox County rate is reported in the Apartment Association of Greater Knoxville, Quarterly Market Analysis.

SQUARE FOOTAGE PRICES

Sale prices per square foot increased greatly in the past nine years, up from $71.96 in 2000 to $225.69 in 2008. The nine year average was $130.43 per square foot. The highest price per square foot was seen in 2008, while 2002 registered the lowest, with $61.24 per square foot.

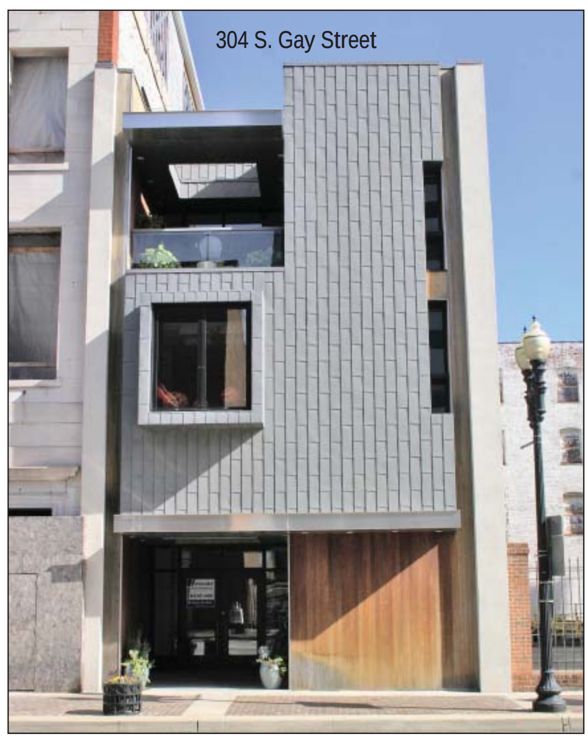
Table 4: Downtown Residential Sales **(Price per Square Foot)**	
2000	$71.96
2001	$89.28
2002	$61.24
2003	$117.93
2004	$97.68
2005	$139.78
2006	$172.66
2007	$197.69
2008	$225.69

Source: Knoxville Area Association of Realtors

RENTAL MARKET

Although the number of residential units downtown nearly doubled since 2000, few are designated strictly as rental. The Sterchi Lofts, JFG Flats, and The Emporium are the largest developments marketed solely for rent. These three developments accounted for the largest portion (194 units) of the downtown rental market.

Compared to Knox County, downtown Knoxville consistently garnered higher asking rates for all rental unit types.



DOWNTOWN RESIDENTIAL PIPELINE

There are 180 residential units either under construction or proposed in downtown Knoxville. The Elliot building on West Church Avenue is expected to add seven condo units before 2009 ends, while spring of 2010 should add 26 new condos with the completion of the Crimson Building on Gay Street and the Southeastern Glass Building on Broadway.

In the rental market, the Daylight Building on Union Avenue and Farragut Building on Gay Street are scheduled to provide 117 additional apartment units downtown.

Farragut Building Apartments
530 S. Gay Street

Table 6: Downtown Residential Projects

NAME	ADDRESS	UNITS	CONDO/RENTAL	STATUS	EXPECTED COMPLETION
131 S Gay St	131 S Gay St	1	Condo	Under Construction	Summer 2010
26 Market Square	26 Market Sq	2	Condo	Proposed	
Cable Piano Condos	422 S Gay St	1	Condo	Proposed	
Crimson Building	302 S Gay St	11	Condo	Under Construction	Spring 2010
Daylight Building Apartments	501 Union Ave	46	Rental	Under Construction	Summer 2010
Elliot	207 W Church Ave	7	Condo	Under Construction	Fall 2009
Farragut Building Apartments	530 S Gay St	71	Rental	Proposed	
Metropolitan Plaza	Henley St	24	Condo	Proposed	
Southeastern Glass Building	100 N Broadway	15	Condo	Under Construction	Spring 2010
Ziegler Building	9 Market Sq	2	Condo	Proposed	
TOTAL		**180**			

Crimson Building
302 S. Gay Street

Southeastern Glass Building
100 N. Broadway

Additional Information Available from MPC

If you would like additional information on Knoxville or Knox County, the Metropolitan Planning Commission assembles and maintains a collection of data products like technical reports, property market studies, development activity reports, and numerous other publications relating to Knoxville, Knox County, and the five-county metropolitan area. Visit the web site (www.knoxmpc.org) or contact the MPC library.