The Johnson City, TN commercial real estate market is weaker compared to the overall U.S. market. NAR Commercial Real Estate Market Conditions Index* 41.0

Overall economic conditions are weaker than nationally. The apartment property market is about the same than nationally. The office property market is weaker than nationally. The industrial property market is stronger than nationally. The retail property market is weaker than nationally. The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

<table>
<thead>
<tr>
<th>Johnson City, TN</th>
<th>U.S.</th>
<th>2021 Q2</th>
<th>2021 Q1</th>
<th>2020 Q2</th>
<th>2021 Q2</th>
<th>2021 Q1</th>
<th>2020 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total non-farm employment (1000)</td>
<td>79</td>
<td>79</td>
<td>76</td>
<td>146,603</td>
<td>143,315</td>
<td>138,501</td>
<td></td>
</tr>
<tr>
<td>Y/Y chg in nonfarm payroll employment (1000)</td>
<td>4</td>
<td>(4)</td>
<td>(4)</td>
<td>8,102</td>
<td>(6,637)</td>
<td>(13,215)</td>
<td></td>
</tr>
<tr>
<td>Y/Y % chg. in nonfarm payroll employment</td>
<td>4.9%</td>
<td>-4.7%</td>
<td>-4.5%</td>
<td>5.8%</td>
<td>-4.4%</td>
<td>-8.7%</td>
<td></td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>4.7%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>5.9%</td>
<td>-6.0%</td>
<td>-11.4%</td>
<td></td>
</tr>
<tr>
<td>Average weekly wages</td>
<td>$613</td>
<td>$619</td>
<td>$641</td>
<td>$1,059</td>
<td>$1,046</td>
<td>$1,016</td>
<td></td>
</tr>
<tr>
<td>Wage growth, year-over-year</td>
<td>-4.3%</td>
<td>-1.2%</td>
<td>-8.3%</td>
<td>4.3%</td>
<td>6.7%</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td>(data as of last month of the quarter)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>1.7%</td>
<td>2.5%</td>
<td>2.3%</td>
<td>2.8%</td>
<td>2.9%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Median household income</td>
<td>$45,917</td>
<td>$45,839</td>
<td>$40,663</td>
<td>$47,470</td>
<td>$48,423</td>
<td>$51,284</td>
<td></td>
</tr>
</tbody>
</table>

Demographic

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net domestic migration (1000)</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Population (1000)</td>
<td>205</td>
<td>204</td>
</tr>
<tr>
<td>Population growth (%)</td>
<td>0.27%</td>
<td>0.32%</td>
</tr>
</tbody>
</table>

II. Multifamily

<table>
<thead>
<tr>
<th>Demand indicators</th>
<th>2021 Q2</th>
<th>2021 Q1</th>
<th>2020 Q2</th>
<th>2021 Q2</th>
<th>2021 Q1</th>
<th>2020 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy rate</td>
<td>4.9%</td>
<td>3.3%</td>
<td>3.2%</td>
<td>4.2%</td>
<td>4.7%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Absorption of units over the quarter</td>
<td>155</td>
<td>24</td>
<td>44</td>
<td>226,871</td>
<td>169,053</td>
<td>78,282</td>
</tr>
<tr>
<td>Absorption of units in past 12 months</td>
<td>201</td>
<td>90</td>
<td>89</td>
<td>601,925</td>
<td>450,336</td>
<td>255,168</td>
</tr>
<tr>
<td>Market asking rent per unit</td>
<td>$799</td>
<td>$777</td>
<td>$752</td>
<td>$1,004</td>
<td>$978</td>
<td>$953</td>
</tr>
<tr>
<td>Market asking rent per unit, y/y % chg</td>
<td>6.2%</td>
<td>3.9%</td>
<td>0.9%</td>
<td>6.1%</td>
<td>3.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Effective rent per unit</td>
<td>$796</td>
<td>$775</td>
<td>$750</td>
<td>$1,000</td>
<td>$972</td>
<td>$945</td>
</tr>
<tr>
<td>Effective rent per unit, y/y % chg</td>
<td>6.2%</td>
<td>4.0%</td>
<td>1.3%</td>
<td>6.4%</td>
<td>3.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Rent as a percent of 2-person annual wage income</td>
<td>14.9%</td>
<td>14.4%</td>
<td>13.5%</td>
<td>10.9%</td>
<td>10.7%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Supply indicators

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>6,375</td>
<td>6,250</td>
</tr>
<tr>
<td>Net delivered units in past 12 months</td>
<td>316</td>
<td>54</td>
</tr>
<tr>
<td>Net delivered units, as % of inventory</td>
<td>5.0%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Units under construction</td>
<td>50</td>
<td>262</td>
</tr>
<tr>
<td>Units under construction, as % of inventory</td>
<td>0.8%</td>
<td>4.3%</td>
</tr>
<tr>
<td>12-month total: units under construction</td>
<td>329</td>
<td>343</td>
</tr>
<tr>
<td>12-month total: all building permits</td>
<td>531</td>
<td>551</td>
</tr>
<tr>
<td>Ratio of jobs created to permits</td>
<td>7.0</td>
<td>(7.2)</td>
</tr>
</tbody>
</table>

Sales transactions

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment acquisitions (in million $)</td>
<td>$1,260</td>
<td>$1,046</td>
</tr>
<tr>
<td>Rental sales price per unit</td>
<td>$26,786</td>
<td>$26,786</td>
</tr>
<tr>
<td>Cap rate</td>
<td>6.6%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

III. Office

<table>
<thead>
<tr>
<th>Demand indicators</th>
<th>2021 Q2</th>
<th>2021 Q1</th>
<th>2020 Q2</th>
<th>2021 Q2</th>
<th>2021 Q1</th>
<th>2020 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy rate</td>
<td>1.6%</td>
<td>1.4%</td>
<td>2.8%</td>
<td>6.1%</td>
<td>1.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Absorption in sq. ft. over the quarter</td>
<td>(6,375)</td>
<td>32,435</td>
<td>1,520</td>
<td>(9,309,111)</td>
<td>(51,131,309)</td>
<td>(13,966,267)</td>
</tr>
<tr>
<td>Absorption in sq. ft. over 12 months</td>
<td>56,890</td>
<td>58,523</td>
<td>11,822</td>
<td>(140,700,156)</td>
<td>(145,357,270)</td>
<td>(19,963,128)</td>
</tr>
<tr>
<td>Asking rent per sq. ft.</td>
<td>$17.2</td>
<td>$17.1</td>
<td>$16.9</td>
<td>$18.9</td>
<td>$18.9</td>
<td>$18.9</td>
</tr>
<tr>
<td>Asking rent growth, y/y % chg</td>
<td>1.9%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>0.3%</td>
<td>0.9%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Leasing activity in sq. ft.</td>
<td>7,413</td>
<td>18,312</td>
<td>14,155</td>
<td>100,568,800</td>
<td>81,175,252</td>
<td>81,276,145</td>
</tr>
<tr>
<td>Y/Y chg in professional/business services jobs (1000)</td>
<td>(1)</td>
<td>(0)</td>
<td>(1)</td>
<td>1,260</td>
<td>(501)</td>
<td>(1,715)</td>
</tr>
</tbody>
</table>

Supply indicators

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory in sq. ft.</td>
<td>4,171,350</td>
<td>4,168,650</td>
</tr>
<tr>
<td>Net delivered over 12 months, in sq. ft.</td>
<td>2,700</td>
<td>-</td>
</tr>
<tr>
<td>Net delivered units, as % of inventory</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Under construction in sq. ft.</td>
<td>2,700</td>
<td>-</td>
</tr>
<tr>
<td>Under construction, as % of inventory</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Sales transactions

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment acquisitions (in million $)</td>
<td>$3.9</td>
<td>$2.9</td>
</tr>
<tr>
<td>Transaction sales price per sq. ft.</td>
<td>$85</td>
<td>$70</td>
</tr>
<tr>
<td>Cap rate</td>
<td>$945</td>
<td>$106</td>
</tr>
</tbody>
</table>

The area has a higher vacancy rate than nationally
The area has a faster pace of absorption than nationally
Rents are rising faster than nationally
Leasing volume is not rising as fast as nationally
The area has a slower office job creation than nationally

Leasing demand is much slower than nationally
Rent growth is much slower than nationally
The area has a lower absorption rate than nationally
The area has a lower price of absorption than nationally

The area has lower job creation than nationally
Wages are rising at a slower pace than nationally
Rents and construction activity are slower than nationally
The area has a lower absorption rate than nationally
Prices are rising faster nationally
Cap rates are higher than nationally

The retail property market is weaker than nationally.

The Johnson City, TN commercial real estate market is weaker compared to the overall U.S. market.

NAR Commercial Real Estate Market Conditions Index* 41.0

Job creation is weaker than nationally
Unemployment rate is lower than nationally
Wages are rising at a slower pace than nationally

The area is experiencing net domestic in-migration
Population growth is slower than nationally

Rent growth is more moderate than nationally
Rents are rising more slowly than nationally
The rent to income ratio is higher than nationally

Rent growth is moderate than nationally
Rent growth is slower than nationally
The area has a lower cap rate than nationally
For information about this report, email data@nar.realtor.