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PROPERTY ADVISORS



QUARTERLY NEWSLETTER

Memphis MSA Third Quarter 2020

This newsletter is designed as a basic snapshot of the Memphis commercial real estate market for 3Q20. Some figures are interpolated and estimated due to variances between the information sources.

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Retail – Snapshot

- Asking rents in the Memphis MSA have remained stable from 2Q20.
- Occupancy rates have remained stable across the MSA from 2Q20.

Shopping Center Data - CoStar & Valbridge							
Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	95%	94%	96%	95%	94%	98%	95%
Asking Rent	\$14.00	\$18.00	\$16.50	\$19.00	\$23.00	\$17.00	\$14.00

Office – Snapshot

- Memphis MSA Class A rents and occupancy remained stable from 2Q20.
- The Class B, 385 Corridor submarket saw slight improvement in occupancy levels compared to 2Q20

Class A & B Office Data - CoStar & Valbridge				
Market	Class A		Class B	
	Occupancy	Rent	Occupancy	Rent
Memphis MSA Office	89%	\$23.00	89%	\$19.00
East Memphis Office	86%	\$27.00	90%	\$21.00
385 Corridor Office	89%	\$20.00	96%	\$19.50

Industrial – Snapshot

- The Memphis MSA has over 12,700,000 sf under construction.
- Nearly 1,500,000 sf was delivered in 3Q20.

Warehouse & Flex Data - CoStar & Valbridge				
Market	Warehouse		Flex	
	Occupancy	Rent	Occupancy	Rent
Memphis MSA Industrial	93%	\$3.50	91%	\$7.50
Southeast Industrial	91%	\$3.00	89%	\$6.00
DeSoto Industrial	95%	\$4.00	99%	\$7.50

MultiFamily – Snapshot

- Overall occupancy for the Memphis MSA remained stable from 2Q20.
- The Memphis MSA had 389 multi-family unit construction starts during 3Q20.

Apartment Data - CoStar							
Market	MSA	Frayser	Collierville	Downtown	Midtown	Southeast	East Memphis
Occupancy	89%	80%	97%	92%	91%	83%	89%
Rent/Unit	\$896	\$630	\$1,304	\$1,312	\$905	\$747	\$830
Under Const/Unit	1841.00	N/A	0	482	585	0	176
Deliveries	94	0	0	68	10	0	0

Cap Rates – National

According to the **Situs Real Estate Research Corporation (RERC)** “*Real Estate Report*” and **PricewaterhouseCoopers (PwC)** “*Real Estate Investor Survey*,” the average value trend for all properties increased from 2Q20. The rates shown below apply to modern Class A properties with occupancy by creditworthy tenants, good to excellent locations, and/or contractual rent growth.

National Rates - Situs RERC & PWC				
Property	Cap Rates			Value Trend From Prior Qtr
	Low	High	Average	
Retail Strip Center	4.6%	10.0%	7.3%	Decrease
Suburban Office	4.0%	7.5%	5.8%	Increase
Flex Industrial	5.4%	7.4%	8.1%	Stable
Warehouse	3.4%	7.0%	5.2%	Increase
Apartment	3.5%	6.5%	5.0%	Increase
Average for All Properties	4.2%	7.7%	6.3%	Increase

Cap Rates – Net Leased

The average value trend for all properties increased from 2Q20. The majority of net lease participants expect stable cap rates in the near term, according to **The Boulder Group**.

Net Lease National Asking Cap Rates - The Boulder Group			
Property	3Q20	2Q20	Value Trend From Prior Qtr
Retail	6.06%	6.25%	Increase
Office	6.90%	7.00%	Increase
Industrial	6.88%	6.99%	Increase
Average for All Properties	6.61%	6.75%	Increase

Commercial Sale Volume & Pricing

This data applies to “non-bank” transactions and was published by **Chandler Reports, LLC** Overall sales volume and average sales price had a nominal decrease from 3Q19. Office and multi-family sales volume both increased over 25% from 3Q19.

Commercial Sales - Shelby County			
YTD through	3Q20	3Q19	% Chng
Retail	203	235	-13.62%
Office	106	83	27.71%
Industrial	112	118	-5.08%
Multi-Family	105	81	29.63%
Land	134	174	-22.99%
Total Transactions	660	685	-3.65%
Average Sale Price/Sale	\$1,668,715	\$1,686,082	-1.03%

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Single Family Home Sales & Prices

According to the **Memphis Area Association of Realtors**, total sales volume experienced a slight decrease; however, average sales price continued to grow in 3Q20 compared to 3Q19 in Shelby, Fayette & Tipton Counties. New home sales show an increase in volume and average sales price.

Existing Home Sale Statistics - MAAR.org				New Home Sale Statistics - MAAR.org			
Shelby, Fayette & Tipton Counties				Shelby, Fayette & Tipton Counties			
YTD through	3Q20	3Q19	% Chng	YTD through	3Q20	3Q19	% Chng
No. of Sales	13,612	14,219	-4.3%	No. of Sales	648	638	1.6%
Avg. Price	\$197,699	\$179,399	10.2%	Avg. Price	\$386,016	\$377,352	2.3%
\$ Volume	\$2,691,084,838	\$2,550,875,961	5.5%	\$ Volume	\$250,138,296	\$240,750,576	3.9%

Lot Supply & New Home Data

Developed lots had a slight decrease from 3Q19; however, new home permits have increased from 3Q19 according to **Market Graphics Research Group, Inc.**

Lot Supply & Housing Permits - MSA				
MarketGraphics Research Group, Inc.				
12 Months through	Nov-20	Nov-19	Chng	% Chng
Developed Lots	5,370	5,473	(103)	-1.92%
New Home Permits	3,333	2,894	439	13.17%
Yrs. Supply	1.61	1.89	(0.28)	-17%

NEW HOME INVENTORY - MSA				
Period Ended Nov. 2020	2017	2018	2019	2020
Inventory	1,240	1,274	1,435	1,391

Trailing 12 Mos. Starts	
County	Nov-20
Shelby	558
Fayette	371
DeSoto	1,191
Tipton	141
Crittenden	22
Totals	2,283

Evaluations

Did you know?

Valbridge Property Advisors | Memphis can prepare USPAP compliant evaluations. We have standard report formats, or we can customize a report and the scope of work to meet your needs.

If you would like to get more information on evaluations, please contact our Managing Director, Cary Crain, MAI, at ccrain@valbridge.com or 901-206-2263.

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About Valbridge Property Advisors | Memphis



Valbridge Property Advisors | Memphis provides independent property valuation and consulting services, including advising clients on real estate business and investment decisions such as buy-sell-hold and lease-own alternatives.

In today's highly scrutinized regulatory environment, our independence—including from real estate brokerage firms—provides our clients with a credible and reliable result. Our clients benefit from the collective strength of Valbridge Property Advisors, one of the largest commercial real estate appraisal firms in the U.S.

Valbridge Property Advisors | Memphis is led by a MAI designated member of the Appraisal Institute. Our firm and its professionals offer more than 150 years of combined real estate experience. We provide appraisals, consulting, market studies, and feasibility analyses within the Memphis MSA and surrounding counties.

The firm has expertise in multifamily, land, retail, commercial, medical, religious buildings, land development, single and multi-tenant buildings, office, hotel/motel, special use, industrial properties, and many other properties.

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DATA SOURCES

Apartment Association of Greater Memphis, Bankrate.com, Bloomberg.com, Bureau of Labor Statistics, Chandler Reports, LLC, CoStar Group, Inc., Insight Economics, Memphis Area Association of Realtors, PwC, MarketGraphics, Situs Real Estate Research Corp., The Boulder Group,, NNNetAdvisor, RealtyRates.com, TN Dept. of Labor, Valbridge Property Advisors

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