



Valbridge
PROPERTY ADVISORS



QUARTERLY NEWSLETTER

Memphis MSA First Quarter 2019

This newsletter is designed to be an easily digestible tool for you to get a quick picture of the Memphis commercial real estate market in the first quarter of 2019. Some figures are interpolated and estimated due to variances between the information sources.

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Retail – Snapshot

- In 1Q19, a 13,000 square foot CVS was purchased for \$6.9 million in the Cordova Submarket.
- Overall occupancy in the Memphis MSA has increased by 4% from 1Q18.

Shopping Center Data - CoStar & Valbridge							
Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	96%	97%	91%	97%	96%	98%	98%
Asking Rent	\$13.00	\$19.25	\$15.25	\$15.25	\$24.50	\$17.00	\$15.00

Office – Snapshot

- FedEx announced, in 1Q19, that they will be moving their global logistics headquarters to the former Gibson Guitar factory in the Downtown Memphis Submarket. FedEx expects to fully occupy the 190,000 square foot building by early 2020.

Class A & B Office Data - CoStar & Valbridge				
Market	Class A		Class B	
	Occupancy	Rate	Occupancy	Rate
Memphis MSA Office	89%	\$20.40	89%	\$18.00
East Memphis Office	90%	\$24.00	89%	\$19.45
385 Corridor Office	88%	\$19.10	97%	\$20.60

Industrial – Snapshot

- Glass manufacturing company, View, occupied over 500,000 square feet in DeSoto County.
- DeSoto Flex Industrial occupancy is over 95% in 1Q19.

Warehouse & Flex Data - CoStar & Valbridge				
Market	Warehouse		Flex	
	Occupancy	Rate	Occupancy	Rate
Memphis MSA Industrial	95%	\$3.50	89%	\$8.30
Southeast Industrial	95%	\$3.15	83%	\$5.80
Desoto Industrial	94%	\$3.70	99%	\$10.75

Multifamily – Snapshot

- Overall occupancy for Memphis MSA has remained constant with a 1% increase from 1Q18.
- There is a total of 1,673 units under construction within the Memphis MSA.

Apartment Data - CoStar							
Market	MSA	Frayser	Collierville	Downtown	Midtown	Southeast	East Memphis
Occupancy	89%	80%	97%	96%	93%	84%	88%
Market Rent	\$840	\$585	\$1,290	\$1,285	\$815	\$670	\$710
Avg Rent/SF	\$0.90	\$0.65	\$1.25	\$1.40	\$1.10	\$0.70	\$0.85
Avg SF	933	900	1032	918	741	957	835

Cap Rates – National

According to the **Situs Real Estate Research Corporation (RERC)** *“Real Estate Report”* and **PricewaterhouseCoopers (PwC)** *“Real Estate Investor Survey,”* cap rates have trended upward in two categories. Overall the cap rates have favored a stable trend compared to 4Q18. 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	4.3%	10.0%	6.3%	Decrease
Suburban Office	5.0%	10.0%	6.7%	Decrease
Flex Industrial	6.8%	8.0%	7.1%	Increase
Warehouse	3.0%	7.2%	5.1%	Stable
Apartment	3.5%	7.0%	5.1%	Increase
Average for All Properties	4.5%	8.4%	6.1%	Stable

Cap Rates – Net Leased

Cap rates for office tenants increased in 1Q19. The overall cap rates for all properties have remained relatively stable in the first quarter. 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	1Q19	4Q18	Change from Prior Qtr
Retail	6.27%	6.25%	Stable
Office	7.10%	7.02%	Increase
Industrial	7.00%	7.07%	Decrease
Average for All Properties	6.79%	6.78%	Stable

Commercial Sale Volume & Pricing

This data applies to “non-bank” transactions and was published by **Chandler Reports, LLC**. There were nine bank sales reported in 1Q19 vs. three for 1Q18. The average bank sale price in 1Q19 was \$1,139,023 vs. \$401,067 in 1Q18.

Commercial Sales - Shelby County			
YTD through	2019	2018	% Chng
Retail	58	76	-23.68%
Office	24	23	4.35%
Industrial	37	39	-5.13%
Multi-Family	17	29	-41.38%
Land	53	57	-7.02%
Total Transactions	189	227	-16.74%
Average Sale Price/Sale	\$1,552,081	\$1,299,709	19.42%

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Single Family Home Sales & Prices

According to the **Memphis Area Association of Realtors**, total sales volume and average sales price increased in 1Q19 compared to 1Q18 in Shelby, Fayette & Tipton Counties. New home sales show a decrease in volume but an increase in average sale price.

Existing Home Sale Statistics - MAAR.org				New Home Sale Statistics - MAAR.org			
Shelby, Fayette & Tipton Counties				Shelby, Fayette & Tipton Counties			
YTD through	1Q19	1Q18	% Chng	YTD through	1Q19	1Q18	% Chng
No. of Sales	3,829	3,771	1.5%	No. of Sales	202	211	-4.3%
Avg. Price	\$159,207	\$156,216	1.9%	Avg. Price	\$368,592	\$364,944	1.0%
\$ Volume	\$609,604,879	\$589,091,793	3.5%	\$ Volume	\$74,455,584	\$77,003,254	-3.3%

Lot Supply & New Home Data

New home inventory has shown a growing inventory since 2016. Lot supply is up slightly but remains at less than six months, and new home permits are up 9% from March 2018 according to **MarketGraphics Research Group, Inc.**

Lot Supply & Housing Permits - MSA					Trailing 12 Mos. Starts	
MarketGraphics Research Group, Inc.					County	Mar-19
12 Months through	Mar-19	Mar-18	Chng	% Chng		
Developed Lots	375	222	153	40.80%	Crittenden	36
New Home Permits	1,226	1,116	110	8.97%	DeSoto	871
Yrs. Supply	0.31	0.20	0.11	35%	Fayette	204
					Shelby	612
					Tipton	73
					Totals	1,796

NEW HOME INVENTORY - MSA				
Period Ended Mar 2019	2016	2017	2018	2019
Inventory	961	1,024	1,116	1,226

Employment

As of 1Q19, the unemployment rate for the Memphis MSA is 3.9%, which is a slight increase from 4Q18, according to **The Bureau of Labor Statistics – Year to Date – National & State Seasonally Adjusted.**

Area	Unemployment Rates							
	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018	YTD 2019
Memphis, MSA	8.3%	7.6%	6.8%	5.4%	4.9%	3.7%	3.7%	3.9%
Shelby County, TN	8.4%	7.9%	7.0%	5.3%	5.1%	3.6%	3.6%	3.9%
Tipton County, TN	9.0%	8.5%	7.7%	6.1%	5.3%	3.9%	3.6%	3.8%
Fayette County, TN	8.6%	8.1%	6.6%	5.5%	5.1%	3.6%	3.3%	3.5%
Crittenden County, AR	8.8%	7.4%	7.1%	4.7%	4.2%	4.1%	4.0%	4.0%
DeSoto County, MS	6.3%	5.3%	5.0%	4.7%	3.8%	3.2%	3.7%	3.9%
Marshall County, MS	10.4%	9.0%	7.5%	6.8%	5.1%	4.4%	4.7%	4.8%
Tunica County, MS	12.8%	11.6%	11.9%	8.5%	7.2%	5.1%	5.3%	5.9%
Tate County, MS	9.1%	8.0%	7.6%	6.6%	5.2%	4.5%	4.6%	4.9%
Benton County, MS	10.0%	9.5%	8.4%	7.3%	5.6%	5.0%	5.3%	5.1%

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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, RealtyRates.com, TN Dept. of Labor, Valbridge Property Advisors

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