



Valbridge
PROPERTY ADVISORS



QUARTERLY NEWSLETTER

Memphis MSA Second Quarter 2019

This newsletter is designed as a basic snapshot of the Memphis commercial real estate market for the second quarter of 2019. Some figures are interpolated and estimated due to variances between the information sources.

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Retail – Snapshot

- In 2Q19, the 62,647 square foot Center City Shopping Center was purchased for \$7.2 million in the Downtown / Midtown Submarket.
- Asking rent in the Memphis MSA has increased by \$0.75 from 2Q18.

Shopping Center Data - CoStar & Valbridge							
Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	94%	94%	92%	97%	94%	97%	95%
Asking Rent	\$12.50	\$16.50	\$14.50	\$11.50	\$20.00	\$17.00	\$14.50

Office – Snapshot

- Class A occupancy rates have trended upwards in all submarkets since 2Q18.
- The majority of 2Q19's investment volume, of \$56 million, came from the sale of the University of Tennessee Multispecialty Center for \$51 million.

Class A & B Office Data - CoStar & Valbridge				
Market	Class A		Class B	
	Occupancy	Rate	Occupancy	Rate
Memphis MSA Office	91%	\$21.00	90%	\$18.00
East Memphis Office	93%	\$27.75	88%	\$19.25
385 Corridor Office	90%	\$19.00	96%	\$21.50

Industrial – Snapshot

- In the Memphis MSA, there is over 6,400,000 square feet of industrial property under construction.
- A 1.1-million-SF distribution center in the DeSoto Industrial Submarket was purchased for \$48 million in 2Q19.

Warehouse & Flex Data - CoStar & Valbridge				
Market	Warehouse		Flex	
	Occupancy	Rate	Occupancy	Rate
Memphis MSA Industrial	94%	\$3.25	91%	\$8.15
Southeast Industrial	94%	\$3.00	88%	\$5.75
DeSoto Industrial	95%	\$3.75	99%	\$10.75

Multifamily – Snapshot

- Market rent in the Memphis MSA has increased by 5% since 2Q18.
- In 2Q19, Timberland Partners purchased 457 units in two multifamily assets, in the DeSoto Submarket for nearly \$40 million.

Apartment Data - CoStar							
Market	MSA	Frayser	Collierville	Downtown	Midtown	Southeast	East Memphis
Occupancy	89%	82%	97%	96%	93%	83%	87%
Market Rent	\$850	\$600	\$1,290	\$1,285	\$815	\$680	\$735
Avg Rent/SF	\$0.90	\$0.65	\$1.25	\$1.40	\$1.10	\$0.75	\$0.90
Avg SF	944	923	1032	918	741	907	817

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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 remained stable in three categories. Overall the cap rates have favored a stable trend compared to 1Q19. 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%	Stable
Suburban Office	5.0%	10.0%	6.7%	Stable
Flex Industrial	6.8%	8.0%	7.5%	Decrease
Warehouse	3.0%	7.2%	4.9%	Increase
Apartment	3.5%	7.0%	5.1%	Stable
Average for All Properties	4.5%	8.4%	6.1%	Stable

Cap Rates – Net Leased

Cap rates for office tenants decreased in 2Q19. The overall cap rates for office and industrial properties have slightly trended downward in the second quarter. The majority of net lease participants expect stable cap rates in the near term, according to **The Boulder Group, Calkin, and NNNetAdvisor.**

Net Lease National Asking Cap Rates			
Property	2Q19	1Q19	Value Trend From Prior Qtr
Retail	6.35%	6.30%	Increase
Office	6.95%	7.05%	Decrease
Industrial	6.90%	6.95%	Decrease
Average for All Properties	6.73%	6.77%	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 2Q19 vs. seven for 2Q18. The average bank sale price in 2Q19 was \$1,396,584 vs. \$6,355,071 in 2Q18.

Commercial Sales - Shelby County			
YTD through	2Q19	2Q18	% Chng
Retail	150	154	-2.60%
Office	57	62	-8.06%
Industrial	77	69	11.59%
Multi-Family	45	57	-21.05%
Land	112	112	0.00%
Total Transactions	441	454	-2.86%
Average Sale Price/Sale	\$1,486,750	\$1,512,696	-1.72%

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Single Family Home Sales & Prices

According to the **Memphis Area Association of Realtors**, total sales volume shows a slight decrease; however, average sales price continues to grow in 2Q19 compared to 2Q18 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	2Q19	2Q18	% Chng	YTD through	2Q19	2Q18	% Chng
No. of Sales	8,897	9,110	-2.3%	No. of Sales	407	469	-13.2%
Avg. Price	\$173,413	\$169,953	2.0%	Avg. Price	\$374,609	\$366,554	2.2%
\$ Volume	\$1,542,853,978	\$1,548,267,275	-0.3%	\$ Volume	\$152,465,660	\$171,913,904	-11.3%

Lot Supply & New Home Data

New home inventory has increased by nearly 19% over the past 12 months. Based on permit volume, new home supply remains at less than 2.5 years according to **MarketGraphics Research Group, Inc.**

Lot Supply & Housing Permits - MSA					Trailing 12 Mos. Starts	
MarketGraphics Research Group, Inc.					County	Jul-19
12 Months through	Jul-19	Jul-18	Chng	% Chng		
Developed Lots	6,664	6,281	383	5.75%	Shelby	616
New Home Permits	2,942	2,904	38	1.29%	Fayette	264
Yrs. Supply	2.27	2.16	0.10	5%	DeSoto	943
					Tipton	87
					Crittenden	30
					Totals	1,910

NEW HOME INVENTORY - MSA				
Period Ended July 2019	2016	2017	2018	2019
Inventory	1,029	1,071	1,054	1,251

Evaluations

Did you know?

Valbridge Property Advisors | Memphis can prepare USPAP compliant evaluations for lending institutions. 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 hear more about this service, please contact our Managing Director, Cary Crain, MAI, at ccrain@valbridge.com or 901-206-2263.

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

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