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Data Sources

- ❖ Apartment Association of Greater Memphis
- ❖ ARA – A Newmark Company
- ❖ Bankrate.com
- ❖ Bloomberg.com
- ❖ Bureau of Labor Statistics
- ❖ Chandler Reports, LLC
- ❖ CoStar Group, Inc.
- ❖ Insight Economics
- ❖ Memphis Area Association of Realtors
- ❖ PwC
- ❖ Situs Real Estate Research Corp.
- ❖ RealtyRates.com
- ❖ TN Dept. of Labor
- ❖ Valbridge Property Advisors

Some figures are interpolated and estimated due to variances between the reports.

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Commercial Markets: Third Quarter 2018

RETAIL – SNAPSHOT

- Occupancy levels are stable within the Memphis MSA.
- Rental rates are up 8.3% over the prior year

| Shopping Center Data - CoStar & Valbridge | | | | | | | |
|---|---------|---------|---------|---------|---------|-----------|---------|
| Market | MSA | Cville | Cordova | East | Gtown | Olv Brnch | Sthvn |
| Occupancy | 92.50% | 96.60% | 94.50% | 97.50% | 94.30% | 98.00% | 97.50% |
| Asking Rent | \$12.20 | \$16.65 | \$15.00 | \$17.00 | \$19.25 | \$18.80 | \$13.75 |

OFFICE – SNAPSHOT

- The largest lease in 3Q18 was 44,059 square feet to First Horizon in the east market.
- Class-B office market recorded net absorption increase of 110,963 square feet in 3Q18.

| Class A & B Office Data - CoStar & Valbridge | | | | |
|--|------------|---------|--------------|---------|
| Category | Sector/Mkt | Data | Sector/Mkt | Data |
| Memphis MSA Occupancy | Class A | 91% | Class B | 90% |
| Memphis MSA Quoted Rate | Class A | \$21.00 | Class B | \$17.50 |
| Class A Occupancy | East | 94% | 385 Corridor | 90% |
| Class A Quoted Rate | East | \$28.25 | 385 Corridor | \$19.00 |
| Class B Occupancy | East | 88% | 385 Corridor | 95% |
| Class B Quoted Rate | East | \$19.50 | 385 Corridor | \$20.65 |

INDUSTRIAL – SNAPSHOT

- A 1.2 million square foot spec facility in Marshall County is available for lease.
- Amazon occupied a 615,000 square foot space in the Southeast market during 3Q18.

| Warehouse & Flex Data - CoStar & Valbridge | | | | |
|--|------------|--------|------------|---------|
| Category | Sector/Mkt | Data | Sector/Mkt | Data |
| Memphis MSA Occupancy | Warehouse | 94% | Flex | 76% |
| Memphis MSA Rents | Warehouse | \$3.50 | Flex | \$7.90 |
| Warehouse Occupancy | Southeast | 94% | Desoto | 90% |
| Warehouse Quoted Rate | Southeast | \$3.15 | Desoto | \$3.75 |
| Flex Occupancy | Southeast | 77% | Desoto | 96% |
| Flex Quoted Rate | Southeast | \$5.50 | Desoto | \$11.00 |

MULTIFAMILY – SNAPSHOT

- Overall occupancy for Memphis MSA remained stable in 3Q18.
- Rents for the Downtown market continue to increase.

| Apartment Data - CoStar | | | | | | | |
|-------------------------|--------|---------|--------------|----------|---------|-----------|--------------|
| Market | MSA | Frayser | Collierville | Downtown | Midtown | Southeast | East Memphis |
| Occupancy | 89% | 80% | 96% | 95% | 94% | 85% | 89% |
| Market Rent | \$825 | \$580 | \$1,305 | \$1,260 | \$755 | \$665 | \$685 |
| Avg Rent/SF | \$0.88 | \$0.66 | \$1.25 | \$1.35 | \$1.05 | \$0.72 | \$0.81 |
| Avg SF | 943 | 879 | 1,044 | 933 | 719 | 924 | 846 |

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Valbridge Property Advisors is based in Naples, FL and is one of the largest commercial property valuation and advisory services firms in the U.S.

Valbridge has 200+ MAIs, 74 office locations and 675+ staff across the nation. Each Valbridge office is led by an appraiser who holds the MAI designation of the Appraisal Institute.

Valbridge Property Advisors | Memphis provides appraisals, consulting, market studies & feasibility analyses within the Memphis MSA.

The firm has over 150 years of combined appraisal experience in multi-family, land, land development, commercial, retail, medical, self-stg, religious buildings, single & multi-tenant buildings, office, hotel/motel, special use, & industrial property.

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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 decreased in several categories. 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 | 4.00% | 9.50% | 6.10% | Increase |
| Suburban Office | 4.00% | 10.00% | 6.55% | Increase |
| Flex Industrial | 6.50% | 8.00% | 7.30% | Decrease |
| Warehouse | 1.50% | 6.80% | 5.10% | Increase |
| Apartment | 3.50% | 8.50% | 5.20% | Increase |
| Average for All Properties | 3.90% | 8.56% | 6.05% | |

Commercial Sale Volume & Pricing

This data applies to "non-bank" transactions and was published by **Chandler Reports, LLC**. There were 8 bank sales reported in 3Q18 vs. 5 for 3Q17. The average bank sale price in 3Q18 was \$1,207,188 vs. \$189,100 in 3Q17.

| Commercial Sales - Shelby County | | |
|----------------------------------|--------------------|--------------|
| Transactions | | |
| 3Q18 | 3Q17 | % Chng |
| 238 | 212 | 12.3% |
| Average Sale Price/Sale | | |
| 3Q18 | 3Q17 | % Chng |
| \$1,731,981 | \$1,859,125 | -6.8% |

| Commercial Sales - Shelby County | | | |
|----------------------------------|------|------|--------|
| YTD through | 3Q18 | 3Q17 | % Chng |
| Retail | 55 | 75 | -26.7% |
| Office | 32 | 32 | 0.0% |
| Industrial | 32 | 22 | 45.5% |
| Multi-Family | 45 | 28 | 60.7% |
| Land | 74 | 55 | 34.5% |

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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 3Q18 compared to 3Q17 in Shelby, Fayette & Tipton Counties. New home sales show a decrease in volume and average sale price.

| Existing Home Sale Statistics - MAAR.org | | | |
|--|---------------|---------------|--------|
| Shelby, Fayette & Tipton Counties | | | |
| YTD through | 3Q18 | 3Q17 | % Chng |
| No. of Sales | 5,109 | 4,934 | 3.5% |
| Avg. Price | \$172,688 | \$159,690 | 8.1% |
| \$ Volume | \$882,261,289 | \$787,908,815 | 12.0% |
| New Home Sale Statistics | | | |
| Shelby, Fayette & Tipton Counties | | | |
| YTD through | 3Q18 | 3Q17 | % Chng |
| No. of Sales | 209 | 211 | -0.9% |
| Avg. Price | \$365,822 | \$375,544 | -2.6% |
| \$ Volume | \$76,456,868 | \$79,239,714 | -3.5% |

Net Lease National Asking Cap Rates

Cap rates for retail and office tenants both increased by 5 basis points in the third quarter of 2018. The industrial cap rates have remained relatively stable in the third 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 | Asking Cap Rates | | Value Trend from Prior Qtr |
| | 3Q18 | 2Q18 | |
| Retail | 6.25% | 6.20% | Decrease |
| Office | 7.00% | 6.95% | Decrease |
| Industrial | 7.02% | 7.04% | Increase |
| Average for All Properties | 6.76% | 6.73% | |