



Valbridge
PROPERTY ADVISORS



QUARTERLY NEWSLETTER

Memphis Year-End 2018

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 fourth quarter. Some figures are interpolated and estimated due to variances between the information sources.

VALBRIDGE PROPERTY ADVISORS | Memphis
756 Ridge Lake Blvd., Suite 225
Memphis, TN 38120
Phone: 901.753.6977

www.valbridge.com

Prepared by: Philip Cannon

Retail – Snapshot

- Rental rates and occupancy levels have improved in most submarkets over the prior year.
- Collierville submarket's rental rate has shown the highest gain since 4Q17.

| Shopping Center Data - CoStar & Valbridge | | | | | | | |
|---|---------|---------|---------|---------|---------|-----------|---------|
| Market | MSA | Cville | Cordova | East | Gtown | Olv Brnch | Sthvn |
| Occupancy | 93.50% | 94.00% | 94.00% | 97.00% | 94.00% | 97.57% | 94.25% |
| Asking Rent | \$12.00 | \$20.45 | \$14.75 | \$12.50 | \$20.00 | \$17.30 | \$13.15 |

Office – Snapshot

- The largest lease signed in 4Q18 was 38,985-square feet to FedEx at 3742 Tyndale Drive in the 385 Corridor.
- The largest sale in 4Q18 was the Poplar Healthcare Management building, at 3495 Hacks Cross Road, which sold for \$20.2 million or \$178.14 psf.

| Class A & B Office Data - CoStar & Valbridge | | | | |
|--|-----------|---------|-----------|---------|
| Market | Class A | | Class B | |
| | Occupancy | Rate | Occupancy | Rate |
| Memphis MSA Office | 90.00% | \$20.40 | 90.00% | \$17.90 |
| East Memphis Office | 90.50% | \$24.00 | 88.50% | \$19.45 |
| 385 Corridor Office | 89.75% | \$18.50 | 97.00% | \$20.65 |

Industrial – Snapshot

- A 927,742 square foot building, in the DeSoto market, was leased to Olam International in 4Q18.
- The Memphis market area has 270,676,898 square feet of industrial inventory at year-end 2018.

| Warehouse & Flex Data - CoStar & Valbridge | | | | |
|--|-----------|--------|-----------|---------|
| Market | Warehouse | | Flex | |
| | Occupancy | Rate | Occupancy | Rate |
| Memphis MSA Industrial | 94% | \$3.50 | 76% | \$7.90 |
| Southeast Industrial | 94% | \$3.15 | 77% | \$5.50 |
| Desoto Industrial | 90% | \$3.75 | 96% | \$11.00 |

Multifamily – Snapshot

- Nearly 2,000 new units are under construction, with most concentrated in Downtown Memphis.
- Development Services Group's Edge Apartments is one of the largest projects under construction in the MSA. It will be part of the \$73 million redevelopment of the Wonder Bread Factory.

| Apartment Data - CoStar | | | | | | | |
|-------------------------|--------|---------|--------------|----------|---------|-----------|--------------|
| Market | MSA | Frayser | Collierville | Downtown | Midtown | Southeast | East Memphis |
| Occupancy | 89% | 81% | 96% | 95% | 93% | 85% | 87% |
| Market Rent | \$830 | \$585 | \$1,260 | \$1,270 | \$765 | \$670 | \$695 |
| Avg Rent/SF | \$0.90 | \$0.65 | \$1.25 | \$1.35 | \$1.05 | \$0.75 | \$0.85 |
| Avg SF | 922 | 900 | 1008 | 941 | 729 | 893 | 818 |

Follow Us Online:



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 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% | 6.20% | Decrease |
| Suburban Office | 5.00% | 10.00% | 6.57% | Decrease |
| Flex Industrial | 6.50% | 8.00% | 7.30% | Stable |
| Warehouse | 4.50% | 7.30% | 5.13% | Decrease |
| Apartment | 3.50% | 8.50% | 5.18% | Decrease |
| Average for All Properties | 4.70% | 8.66% | 6.08% | Decrease |

Cap Rates – Net Leased

Cap rates for industrial tenants increased in the fourth quarter of 2018. The retail and office cap rates have remained relatively stable in the fourth 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 | 4Q18 | 3Q18 | Change from Prior Qtr |
| Retail | 6.25% | 6.25% | Stable |
| Office | 7.02% | 7.00% | Stable |
| Industrial | 7.07% | 7.02% | Increase |
| Average for All Properties | 6.78% | 6.76% | Stable |

Commercial Sale Volume & Pricing

This data applies to “non-bank” transactions and was published by **Chandler Reports, LLC**. There were 29 bank sales reported in 2018 vs. 42 for 2017. The average bank sale price in 2018 was \$2,312,903 vs. \$1,141,763 in 2017.

| Commercial Sales - Shelby County | | | |
|----------------------------------|--------------------|--------------------|---------------|
| YTD through | 2018 | 2017 | % Chng |
| Retail | 260 | 324 | -19.75% |
| Office | 141 | 126 | 11.90% |
| Industrial | 124 | 133 | -6.77% |
| Multi-Family | 134 | 142 | -5.63% |
| Land | 255 | 274 | -6.93% |
| Total Transactions | 914 | 999 | -8.51% |
| Average Sale Price/Sale | \$1,529,773 | \$1,560,784 | -1.99% |

Follow Us Online:



Single Family Home Sales & Prices

According to the **Memphis Area Association of Realtors**, total sales volume and average sales price increased in 4Q18 compared to 4Q17 in Shelby, Fayette & Tipton Counties. New home sales show an increase in volume and 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 | 4Q18 | 4Q17 | % Chng | YTD through | 4Q18 | 4Q17 | % Chng |
| No. of Sales | 4,585 | 4,354 | 5.3% | No. of Sales | 221 | 234 | -5.6% |
| Avg. Price | \$166,555 | \$167,196 | -0.4% | Avg. Price | \$359,658 | \$353,158 | 1.8% |
| \$ Volume | \$763,653,147 | \$727,971,384 | 4.9% | \$ Volume | \$79,484,418 | \$82,638,972 | -3.8% |

Lot Supply & New Home Data

New home inventory has remained relatively stable since 2017. Lot supply continues to shrink, and new home permits are up 3% from November 2017 according to **MarketGraphics Research Group, Inc.**

| Lot Supply & Housing Permits - MSA | | | | | Trailing 12 Mos. Starts | |
|-------------------------------------|-------------|-------------|---------------|-------------|-------------------------|--------------|
| MarketGraphics Research Group, Inc. | | | | | County | Nov-18 |
| 12 Months through | Nov-18 | Nov-17 | Chng | % Chng | | |
| Developed Lots | 6,033 | 7,530 | (1,497) | -24.81% | Crittenden | 70 |
| New Home Permits | 3,013 | 2,923 | 90 | 2.99% | DeSoto | 803 |
| Yrs. Supply | 2.00 | 2.58 | (0.57) | -29% | Fayette | 183 |
| | | | | | Shelby | 653 |
| | | | | | Tipton | 66 |
| | | | | | Totals | 1,775 |

| NEW HOME INVENTORY - MSA | | | | |
|--------------------------|-------|-------|-------|-------|
| Period Ended July 2018 | 2015 | 2016 | 2017 | 2018 |
| Inventory | 1,088 | 1,051 | 1,143 | 1,214 |

Employment

As of year-end 2018, the unemployment rate for the MSA was 3.7%, which is unchanged from year-end 2017 according to **The Bureau of Labor Statistics – Year End – National & State Seasonally Adjusted.**

| Area | Unemployment Rates | | | | | | | |
|-----------------------|--------------------|---------|---------|---------|---------|---------|---------|---------|
| | YE 2011 | YE 2012 | YE 2013 | YE 2014 | YE 2015 | YE 2016 | YE 2017 | YE 2018 |
| Memphis, MSA | 8.4% | 8.3% | 7.6% | 6.8% | 5.4% | 4.9% | 3.7% | 3.7% |
| Shelby County, TN | 8.4% | 8.4% | 7.9% | 7.0% | 5.3% | 5.1% | 3.6% | 3.6% |
| Tipton County, TN | 9.0% | 9.0% | 8.5% | 7.7% | 6.1% | 5.3% | 3.9% | 3.6% |
| Fayette County, TN | 8.6% | 8.6% | 8.1% | 6.6% | 5.5% | 5.1% | 3.6% | 3.3% |
| Crittenden County, AR | 10.1% | 8.8% | 7.4% | 7.1% | 4.7% | 4.2% | 4.1% | 4.0% |
| DeSoto County, MS | 6.8% | 6.3% | 5.3% | 5.0% | 4.7% | 3.8% | 3.2% | 3.7% |
| Marshall County, MS | 10.9% | 10.4% | 9.0% | 7.5% | 6.8% | 5.1% | 4.4% | 4.7% |
| Tunica County, MS | 13.8% | 12.8% | 11.6% | 11.9% | 8.5% | 7.2% | 5.1% | 5.3% |
| Tate County, MS | 9.5% | 9.1% | 8.0% | 7.6% | 6.6% | 5.2% | 4.5% | 4.6% |
| Benton County, MS | 11.5% | 10.0% | 9.5% | 8.4% | 7.3% | 5.6% | 5.0% | 5.3% |

Follow Us Online:



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 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.

CONTACT US

Contact us today at 901.753.6977 to experience the Valbridge difference.

Sr. Managing Director
Director
Operations Manager
Senior Appraiser
Senior Appraiser
Senior Appraiser
Appraisal Analyst
Office Manager

Todd Glidewell, MAI
Andrew Trott, MAI
Cary Crain
Dana Richardson
Hugh Greer
Craig Johnson
Philip Cannon
Martha Dungy

tglidewell@valbridge.com
atrott@valbridge.com
ccrain@valbridge.com
drichardson@valbridge.com
hgreer@valbridge.com
cjohnson@valbridge.com
pcannon@valbridge.com
mdungy@valbridge.com

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

© Copyright 2019 Valbridge Property Advisors | Memphis. ALL information herein was obtained from third parties. The accuracy of the data is not verified, warranted or guaranteed. For the exclusive use of Valbridge Property Advisors | Memphis. Reproduction or distribution without consent is prohibited.

Follow Us Online:

