



**Valbridge**  
PROPERTY ADVISORS



## QUARTERLY NEWSLETTER

### Memphis MSA Year End 2019

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

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## Retail – Snapshot

- Market Rent in the Memphis MSA has increased by 2 % from 4Q18.
- Occupancy rates remained stable across the MSA.

Shopping Center Data - CoStar & Valbridge							
Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	96%	95%	95%	97%	95%	97%	98%
Market Rent	\$13.50	\$17.00	\$16.50	\$18.00	\$21.50	\$17.00	\$14.00

## Office – Snapshot

- Class A occupancy rates are stable across the MSA.
- In December 2019 the 248,000-square foot International Paper IV office building sold for \$76.4 million.

Class A & B Office Data - CoStar & Valbridge				
Market	Class A		Class B	
	Occupancy	Rate	Occupancy	Rate
Memphis MSA Office	90%	\$23.00	90%	\$20.00
East Memphis Office	89%	\$28.00	90%	\$21.00
385 Corridor Office	90%	\$20.00	95%	\$22.00

## Industrial – Snapshot

- In the Memphis MSA, there is over 13,000,000-square feet of industrial property under construction.
- The MSA saw nearly \$300 million in sales during 4Q19.

Warehouse & Flex Data - CoStar & Valbridge				
Market	Warehouse		Flex	
	Occupancy	Rate	Occupancy	Rate
Memphis MSA Industrial	94%	\$3.50	92%	\$7.00
Southeast Industrial	91%	\$3.75	91%	\$6.00
DeSoto Industrial	98%	\$3.66	94%	\$7.00

## Multifamily – Snapshot

- Market rents in the Memphis MSA have increased by nearly 2.5% since 4Q18.
- Overall occupancy rates have improved over the past 12 months.

Apartment Data - CoStar							
Market	MSA	Frayser	Collierville	Downtown	Midtown	Southeast	East Memphis
Occupancy	89%	75%	97%	94%	88%	85%	90%
Market Rent/Unit	\$850	\$611	\$1,310	\$1,250	\$885	\$685	\$760
Under Const/Unit	1,455	0	0	70	545	0	235
Deliveries	415	0	0	0	415	0	0

## 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 fluctuated slightly.
- Rates shown below apply to modern Class A properties occupied by creditworthy tenants, good to excellent locations, and contractual rent growth.

National Rates - Situs RERC & PWC				
Property	Cap Rates			Value Trend From Prior Qtr
	Low	High	Average	
Retail Strip Center	4.5%	6.5%	6.3%	Decrease
Suburban Office	4.0%	7.3%	6.7%	Decrease
Flex Industrial	6.9%	7.5%	7.5%	Increase
Warehouse	3.8%	6.3%	4.9%	Increase
Apartment	3.5%	6.0%	5.1%	Increase
<b>Average for All Properties</b>	<b>4.5%</b>	<b>6.7%</b>	<b>6.1%</b>	<b>Stable</b>

## Cap Rates – Net Leased

- Cap rates for office and industrial properties have improved in the fourth quarter.
- According to **The Boulder Group, Calkain, and NNNetAdvisor**, the majority of net lease participants expect stable cap rates in the near term.

Net Lease National Asking Cap Rates			
Property	4Q19	3Q19	Value Trend From Prior Qtr
Retail	6.34%	6.33%	Stable
Office	6.67%	6.88%	Increase
Industrial	6.63%	6.83%	Increase
<b>Average for All Properties</b>	<b>6.55%</b>	<b>6.68%</b>	<b>Stable</b>

## Commercial Sale Volume & Pricing

This data applies to “non-bank” transactions and is published by **Chandler Reports, LLC**.

- There were 31 bank sales reported in 2019 vs. 27 bank sales in 2018.
- The average bank sale price in 2019 was \$1,216,318 vs. \$2,469,785 in 2018.

Commercial Sales - Shelby County			
YTD through	2019	2018	% Chng
Retail	288	257	12.06%
Office	121	141	-14.18%
Industrial	162	126	28.57%
Multi-Family	130	134	-2.99%
Land	219	255	-14.12%
<b>Total Transactions</b>	<b>920</b>	<b>914</b>	<b>0.66%</b>
<b>Average Sale Price/Sale</b>	<b>\$1,809,656</b>	<b>\$1,358,445</b>	<b>33.22%</b>

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## Single Family Home Sales & Prices

- According to the **Memphis Area Association of Realtors**, total sales volume remains stable; however, average sales price continues to grow in 4Q19 compared to 4Q18 in Shelby, Fayette & Tipton Counties.
- Average new home sale price increased nearly 5% from 4Q18.

Existing Home Sale Statistics - MAAR.org				New Home Sale Statistics - MAAR.org			
Shelby, Fayette & Tipton Counties				Shelby, Fayette & Tipton Counties			
YTD through	4Q19	4Q18	% Chng	YTD through	4Q19	4Q18	% Chng
No. of Sales	18,655	18,790	-0.7%	No. of Sales	865	956	-9.5%
Avg. Price	\$179,343	\$171,751	4.4%	Avg. Price	\$377,868	\$360,191	4.9%
<b>\$ Volume</b>	<b>\$3,345,648,329</b>	<b>\$3,227,198,158</b>	<b>3.7%</b>	<b>\$ Volume</b>	<b>\$326,855,604</b>	<b>\$344,342,198</b>	<b>-5.1%</b>

## Lot Supply & New Home Data

- Lot supply has declined, and new home permits have remained stable over the past 12 months.
- New home inventory has increased over the past four consecutive years according to **MarketGraphics Research Group, Inc.**

Lot Supply & Housing Permits - MSA				
MarketGraphics Research Group, Inc.				
12 Months through	Nov-19	Nov-18	Chng	% Chng
Developed Lots	5,524	6,033	(509)	-9.21%
New Home Permits	2,894	2,904	(10)	-0.35%
<b>Yrs. Supply</b>	<b>1.91</b>	<b>2.08</b>	<b>(0.17)</b>	<b>-9%</b>

  

NEW HOME INVENTORY - MSA				
Period Ended Nov 2019	2016	2017	2018	2019
Inventory	1,051	1,143	1,214	1,403

Trailing 12 Mos. Starts	
County	Nov-19
Shelby	630
Fayette	339
DeSoto	1,282
Tipton	101
Crittenden	17
<b>Totals</b>	<b>2,369</b>

## 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](mailto: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, Calkain, NNNetAdvisor, RealtyRates.com, TN Dept. of Labor, Valbridge Property Advisors*

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