

Memphis, TN

Quick Stats

6.3%

Unemployment Rate
Memphis MSA February 2021
(BLS)
Preliminary

19.2%

Direct Vacancy Rate

-196k sf

Direct Net Absorption Year-to-
Date (Based on Occupancy)

\$18.83 psf

Direct Asking Rental Rate
(Weighted Average)

150k sf

Office Product Under
Construction

The Memphis economy

The Memphis market starts the new year off with a cautiously optimistic outlook as local, state, and federal lawmakers allow businesses to reopen with the rollout of novel coronavirus (COVID-19) vaccinations ramping up and a new administration settling in with plans to rebuild the economy.

This time last year, COVID-19 spread quickly into the U.S., posing a serious health risk to much of the population and wreaking havoc on the economy as local governments mandated business closures, propagating a general day-to-day uncertainty seemingly without an end in sight. Fast forward nine months and Pfizer and Moderna vaccinations hit the market at the end of fourth quarter of 2020 with distribution and administration seeing even more significant strides

in the first quarter of 2021.

In March, 900,000 jobs were added to the economy nationally, with the hospitality sector accounting for the largest portion of those jobs according to the Federal Reserve Bank of Atlanta. In Memphis, the unemployment rate is down 0.4 percentage points (pp) from last quarter and up 2.4 pp from first quarter of 2020.

With encouraging news of coronavirus vaccine efficacy, optimism from both investors and consumers fuels the economy as we head into a new year. Despite the significant impacts of COVID-19 on the office sector, area brokers are optimistic that office demand will rebound and show an uptick in activity as vaccination rates increase and employees return to the workplace.

Memphis, TN Office market trends

First Quarter 2021

Leasing

During the first quarter of 2021 the market recorded 248,000 square feet of leasing activity, a notable increase from the 121,000 sf that was reported in the fourth quarter of 2020 and a positive sign that the office activity is beginning to pick up. The majority of activity occurred in the East and 385 Corridor submarkets, which accounted for approximately 70% of the quarter's leases. The largest lease, however, was a short-term renewal by IMC Companies for 35,205 sf at their current location at Lenox Park.

The direct vacancy rate, which came in at 19.2% this quarter, has steadily risen since the start of the pandemic. However, the majority of negative absorption has been the result of anticipated downsizing by corporate tenants such as FedEx Freight, Comcast, Lucite and Medtronic vacating more than 330,000 sf in 2020 as well as Cargill Cotton vacating 89,000 sf in first quarter of 2021.

Sales

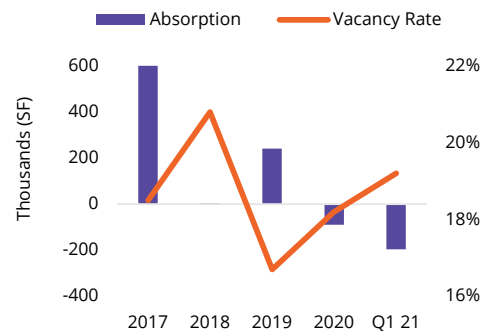
Sales volume in the first quarter of 2021 (\$40.2 million) was down 60% from the quarter prior. 12-month average pricing also fell from \$189 psf in fourth quarter to \$169. Medical office sales dominated the roster this quarter; in the largest transaction by price, Tryon Capital purchased 3495 Hacks Cross Road, a fully occupied 114,000-sf medical office building, for \$24.4 million. Pergament Properties expanded its Memphis holdings with the acquisition

of 7101 Goodlett Farms Boulevard, Cargill, Inc's former headquarters in the Northeast submarket, for \$3.4 million. Cargill recently relocated its Memphis operations to the Downtown submarket. Also Downtown, Townhouse Management Company disposed of 147 Jefferson Avenue for \$2.8 million to Houston-based Trident Capital of America.

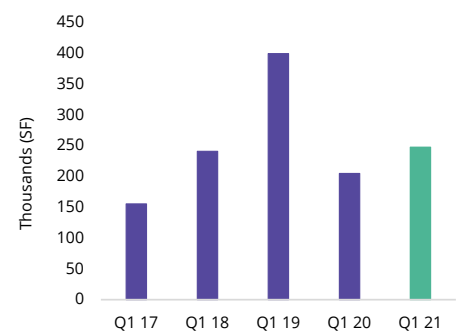
Construction

Supply chain disruption and the rising cost of construction materials has subsequently delayed delivery dates and caused a bottle neck effect in all sectors. Expected completion of Renasant Bank's headquarters in East Memphis, for example, has been pushed back to third quarter. Work continues on IMC Companies' new 75,000-sf headquarters in Collierville, which is scheduled to deliver by the end of the year.

Absorption and Vacancy Rate



Leasing Activity by SF



Top leases

Tenant	Property	SF	Submarket	Type
IMC Companies	Lenox Park Building C	35,205	385 Corridor	Renewal
Epicenter	150 Peabody Pl	20,000	Downtown	Sublease
Kuehne + Nagel Inc	Lenox Park Building B	20,000	385 Corridor	New
Strategic Behavioral Health	Southwind Office Center Building D	10,858	385 Corridor	Renewal
Software Earnings	3400 Players Club Pkwy	7,697	385 Corridor	Renewal

Top sales

Property	Buyer	Seller	SF	Price	\$ PSF	Type	Submarket
3495 Hacks Cross Rd	Tryon Capital	SunTrust Bank	113,990	\$24,441,600	\$214	Investment	385 Corridor
8110 N Brother Blvd	A3M2 Property Investment, LLC	B Squared Partners, LLC	15,581	\$6,600,000	\$420	Investment	Northeast
7101 Goodlett Farms Pkwy	Pergament Properties	Cargill	89,715	\$3,364,313	\$38	Investment	Northeast
147 Jefferson Ave	Trident Capital of America LLC	Townhouse Management Co	102,600	\$2,800,000	\$27	Investment	Downtown
2225 Cox St	Memphis Medica, LLC	Wmem LLC	14,924	\$2,600,000	\$174	Investment	Midtown

Under construction

Property	Developer	SF	Type	Estimated Completion	Submarket
Renasant Bank Memphis HQ	Yorkshire Properties / Loeb Properties	45,000	BTS	2Q21	East
18 S Main St Redevelopment	18 Main	30,000	Speculative	1Q21	Downtown
IMC Collierville HQ	IMC Cos	75,000	BTS	4Q21	385 Corridor

Statistics by submarket

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Direct Net Absorption		Under Construction	YTD Completions	Average Asking Rental Rates*	
					Current Quarter	YTD			All Classes	Class A
East	106	8,283,808	14.3%	14.3%	-23,051	-23,051	45,000	0	\$21.91	\$29.81
Midtown	16	1,723,525	17.4%	17.4%	-12,632	-12,632	0	0	\$16.40	N/A
Northeast	31	2,088,398	24.0%	24.0%	-89,105	-89,105	0	0	\$18.71	N/A
Airport	37	2,216,674	44.0%	44.0%	-10,913	-10,913	0	0	\$14.62	N/A
385 Corridor	35	2,390,542	23.2%	23.2%	-50,905	-50,905	75,000	0	\$19.48	\$18.91
Downtown	24	3,414,082	11.5%	12.0%	-9,165	-9,165	30,000	0	\$17.22	\$18.47
North	13	282,238	8.5%	8.5%	-300	-300	0	0	\$14.00	N/A
Total	262	20,399,267	19.2%	19.4%	-196,071	-196,071	150,000	0	\$18.80	\$22.72

* Direct weighted average \$/psf

Statistics by property class

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Direct Net Absorption		Under Construction	YTD Completions	Average Asking Rental Rates*
					Current Quarter	YTD			
Class A	45	6,709,114	13.4%	13.7%	-27,816	-27,816	120,000	0	\$22.72
Class B	160	11,769,906	23.6%	23.6%	-159,324	-159,324	30,000	0	\$17.71
Class C	57	1,920,247	13.0%	13.0%	-8,931	-8,931	0	0	\$14.95
Total	262	20,399,267	19.2%	19.4%	-196,071	-196,071	150,000	0	\$18.80

* Direct weighted average \$/psf

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market
information**

Lauren Goddard
Vice President, Operations
901.231.1406
lauren.goddard@avisonyoung.com

Shea Stock
Research Analyst
901.410.4551
shea.stock@avisonyoung.com

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avisonyoung.com

