

# Memphis



## Market Facts

**4.2%**

Unemployment Rate  
Memphis MSA  
January 2018 (BLS)

**20.8%**

Overall Vacancy Rate  
+1.8 pp YOY

**511,098 sf**

12-Month  
Overall Net Absorption  
(Based on Occupancy)

**\$18.04 PSF**

Total Market Direct  
Asking Rental Rate  
(Weighted Average)

## Market Overview

The Memphis office market ended the first quarter with an overall vacancy rate of 20.8%, a year-over-year increase of 180 basis points (bps). Despite the rising vacancy rate, total market direct asking rates trended slightly upward year-over-year to \$18.04 per square foot (psf), an increase of 0.3% from first quarter 2017, primarily due to increasing asking rates in the desirable East Class A submarket. A total of 315,000 square feet sf was added to office inventory with the delivery of ServiceMaster's office headquarters in the Downtown submarket.

Overall quarterly net absorption came in at negative 84,675 sf marking the first quarter since 2016 that total market absorption was in the red. The majority of negative absorption occurred in the Northeast and East submarkets, where ACH Food Companies and United BioSource Corporation gave back nearly 90,000 sf in Goodlett Farms and ServiceMaster relocated from approximately 280,000 sf in East Memphis

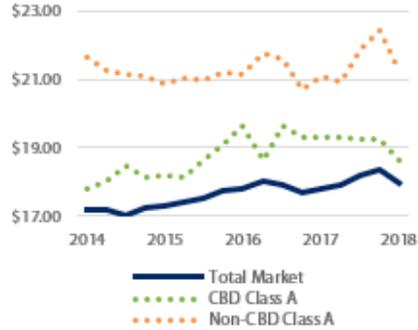
to its new headquarters. Leasing activity for the quarter exceeded 244,000 sf, bringing 12-month deal volume to nearly 1.1 million square feet (msf). In the largest deal of the quarter, Pfizer, one of the world's largest pharmaceutical research and manufacturing companies, leased 65,593 sf at 949 Shady Grove in the East submarket. The company will move from its current location at Lenox Park in early 2019. In the 385 Corridor submarket, FedEx inked a new deal for 22,290 sf at Forest Hill Tech Center which is now fully leased. Memphis-based logistics firm V. Alexander concluded its search for new office headquarters with a 20,368-sf lease at Germantown Park in the Northeast submarket and will occupy the space in the second quarter of 2018.

Sales volume for the quarter consisted of a single transaction totaling nearly \$3 million, a significant decline from the \$67 million in sales activity that occurred during the same period last year.

Overall Vacancy and Absorption



Overall Asking Rents



Sales Volume



Notable Lease Transactions

Tenant	Property	SF	Submarket	Type
Pfizer, Inc.	949 Shady Grove Rd	65,593	East	New
FedEx	Forest Hill Tech Center	22,290	385 Corridor	New
V. Alexander	Germantown Park	20,368	Northeast	New
CBRE	Triad Centre III	10,824	East	New
America Works Tennessee	Falls Building	8,139	Downtown	Expansion

Notable Sales Transactions

Property	Buyer	Seller	SF	Price	\$ PSF	Submarket
7800 Wolf Trail Cove	LVG1 LLC	TN RAS LLC	10,800	\$2,916,034	\$270	East

Market Trends to Watch



E-Communting Continues to **Shrink Minimum Space Requirements**



**Robust Market** Attracts New Investors, Developers



Investors to **Diversify** by Geography and Product Type



**Flexible Office Layouts** to Grow in Popularity

## Statistics by Submarket

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Overall Net Absorption				Average Asking Rental Rates*	
					Current Quarter	YTD	Under Construction	YTD Completions	All Classes	Class A
East	100	7,903,305	17.1%	17.2%	-305,705	-305,705	150,000	0	\$20.11	\$28.07
Midtown	19	1,858,173	14.9%	14.9%	-1,423	-1,423	0	0	\$14.57	N/A
Northeast	26	1,837,164	22.7%	22.7%	-114,333	-114,333	0	0	\$18.53	N/A
Airport	33	2,047,480	47.5%	47.5%	14,670	14,670	0	0	\$14.72	N/A
385 Corridor	36	3,183,106	15.9%	15.9%	-4,490	-4,490	55,000	0	\$18.56	\$18.71
Downtown	19	3,162,042	21.4%	21.4%	325,809	325,809	0	315,000	\$16.93	\$18.63
North	12	261,238	0.0%	0.0%	797	797	0	0	\$14.00	N/A
<b>TOTAL</b>	<b>245</b>	<b>20,252,508</b>	<b>20.8%</b>	<b>20.8%</b>	<b>-84,675</b>	<b>-84,675</b>	<b>205,000</b>	<b>315,000</b>	<b>\$17.96</b>	<b>\$20.62</b>

\*Overall weighted average \$/psf

## Statistics by Property Class

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Overall Net Absorption				Average Asking Rental Rates*
					Current Quarter	YTD	Under Construction	YTD Completions	
Class A	36	13,672,554	13.3%	13.3%	296,894	296,894	205,000	315,000	\$20.62
Class B	149		25.4%	25.4%	-358,797	-358,797	0	0	\$17.46
Class C	60	179,980,842	16.0%	16.1%	-22,772	-22,772	0	0	\$13.42
<b>TOTAL</b>	<b>245</b>	<b>20,252,508</b>	<b>20.8%</b>	<b>20.8%</b>	<b>-84,675</b>	<b>-84,675</b>	<b>205,000</b>	<b>315,000</b>	<b>\$17.96</b>

\*Overall weighted average \$/psf

### Memphis Office Submarkets



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