



**Valbridge**  
PROPERTY ADVISORS



## QUARTERLY NEWSLETTER

**Memphis MSA Second Quarter 2020**

This newsletter is designed as a basic snapshot of the Memphis commercial real estate market for 2Q20. Some figures are interpolated and estimated due to variances between the information sources.

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## Retail – Snapshot

- Asking rents in the Memphis MSA have remained stable in 2020.
- Occupancy rates have remained stable across the MSA.

Shopping Center Data - CoStar & Valbridge							
Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	96%	95%	96%	96%	94%	97%	96%
Asking Rent	\$14.00	\$18.00	\$16.50	\$19.00	\$23.00	\$17.00	\$14.00

## Office – Snapshot

- Memphis MSA Class A rents gained 9.5% from 1Q20.
- The Class B East Memphis Office gained 2% in occupancy from 1Q20.

Class A & B Office Data - CoStar & Valbridge				
Market	Class A		Class B	
	Occupancy	Rent	Occupancy	Rent
Memphis MSA Office	91%	\$23.00	90%	\$19.00
East Memphis Office	90%	\$27.00	90%	\$21.00
385 Corridor Office	90%	\$20.00	95%	\$19.50

## Industrial – Snapshot

- The Memphis MSA has over 13,010,000 sf under construction.
- Nearly 3,900,000 sf was delivered in 2Q20.

Warehouse & Flex Data - CoStar & Valbridge				
Market	Warehouse		Flex	
	Occupancy	Rent	Occupancy	Rent
Memphis MSA Industrial	93%	\$3.50	91%	\$7.50
Southeast Industrial	91%	\$3.00	89%	\$6.00
DeSoto Industrial	95%	\$3.75	99%	\$7.50

## Multifamily – Snapshot

- Overall occupancy for the Memphis MSA remained stable from 1Q20.
- The Memphis MSA had 420 construction starts during 2Q20.

Apartment Data - CoStar							
Market	MSA	Frayser	Collierville	Downtown	Midtown	Southeast	East Memphis
Occupancy	89%	80%	97%	93%	90%	83%	89%
Rent/Unit	\$875	\$625	\$1,280	\$1,275	\$900	\$735	\$780
Under Const/Unit	1258.00	N/A	0	153	485	0	176
Deliveries	0	0	0	0	0	0	0

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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 all 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	4.8%	9.0%	6.9%	Decrease
Suburban Office	4.0%	9.0%	6.5%	Decrease
Flex Industrial	7.3%	9.0%	8.1%	Decrease
Warehouse	3.4%	7.2%	5.3%	Decrease
Apartment	3.5%	8.0%	5.8%	Decrease
<b>Average for All Properties</b>	<b>4.6%</b>	<b>8.4%</b>	<b>6.5%</b>	<b>Decrease</b>

## Cap Rates – Net Leased

Cap rates for office tenants remained stable in 2Q20. The overall cap rate for industrial properties have slightly trended upward in the second 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	2Q20	1Q20	Value Trend From Prior Qtr
Retail	6.25%	6.15%	Decrease
Office	7.00%	7.00%	Stable
Industrial	6.99%	7.05%	Increase
<b>Average for All Properties</b>	<b>6.75%</b>	<b>6.73%</b>	<b>Stable</b>

## Commercial Sale Volume & Pricing

This data applies to “non-bank” transactions and was published by **Chandler Reports, LLC**. Sales volume is down in every category. However, Average Sale Price increased over 29% from 2Q20.

Commercial Sales - Shelby County			
YTD through	2Q20	2Q19	% Chng
Retail	50	150	-66.67%
Office	25	57	-56.14%
Industrial	38	77	-50.65%
Multi-Family	29	45	-35.56%
Land	39	112	-65.18%
<b>Total Transactions</b>	<b>181</b>	<b>441</b>	<b>-58.96%</b>
<b>Average Sale Price/Sale</b>	<b>\$1,920,220</b>	<b>\$1,486,750</b>	<b>29.16%</b>

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## Single Family Home Sales & Prices

According to the **Memphis Area Association of Realtors**, total sales volume shows a slight decrease; however, average sales price continues to grow in 2Q20 compared to 2Q19 in Shelby, Fayette & Tipton Counties. New home sales show an increase in volume and an increase in 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	2Q20	2Q19	% Chng	YTD through	2Q20	2Q19	% Chng
No. of Sales	8,220	8,897	-7.6%	No. of Sales	420	407	3.2%
Avg. Price	\$188,720	\$173,413	8.8%	Avg. Price	\$385,903	\$374,609	3.0%
<b>\$ Volume</b>	<b>\$1,551,278,400</b>	<b>\$1,542,853,978</b>	<b>0.5%</b>	<b>\$ Volume</b>	<b>\$162,079,120</b>	<b>\$152,465,660</b>	<b>6.3%</b>

## Lot Supply & New Home Data

Lot supply has declined over 30%, and new home permits have decreased from 2Q19 according to **Market Graphics Research Group, Inc.** Lot supply is now under two years.

Lot Supply & Housing Permits - MSA				
MarketGraphics Research Group, Inc.				
12 Months through	Jul-20	Jul-19	Chng	% Chng
Developed Lots	5,041	6,664	(1,623)	-32.20%
New Home Permits	3,085	2,942	143	4.64%
<b>Yrs. Supply</b>	<b>1.63</b>	<b>2.27</b>	<b>(0.63)</b>	<b>-39%</b>

  

NEW HOME INVENTORY - MSA				
Period Ended July 2020	2017	2018	2019	2020
Inventory	1,071	1,054	1,251	1,179

Trailing 12 Mos. Starts	
County	Jul-20
Shelby	595
Fayette	368
DeSoto	1,194
Tipton	104
Crittenden	5
<b>Totals</b>	<b>2,261</b>

## Evaluations

*Did you know?*

**Valbridge Property Advisors | Memphis can prepare USPAP compliant evaluations. 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 get more information on evaluations, please contact our Managing Director, Cary Crain, MAI, at [crcrain@valbridge.com](mailto:crcrain@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,, NNNetAdvisor, RealtyRates.com, TN Dept. of Labor, Valbridge Property Advisors*

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