

MARKETBEAT MEMPHIS

Office Q2 2021



CUSHMAN &
WAKEFIELD

14.7%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



35K

Net Absorption, SF



\$18.74

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

644K

Memphis
Employment

YoY
Chg



12-Mo.
Forecast



6.3%

Memphis
Unemployment Rate



5.9%

U.S.
Unemployment Rate



Source: BLS

ECONOMY:

The US economy is recovering well albeit atypically. New businesses are popping up at the fastest pace on record. American household debt-service burdens, as a share of after-tax income, are near their lowest levels since 1980, when records began. The Dow Jones Industrial Average is up nearly 18% from its pre-pandemic peak in February 2020.

The high speed of recovery is building off COVID-19 shortages to create backlog. Per the Producer Price Index and the New York Fed respectively, input costs to non-residential buildings are up 4% for 2020 on aggregate and inflation in the U.S. soared to 4.2% in April from 2.6% in March. The Federal Reserve reports U.S. manufacturing output posted its largest drop since 1946. Access the most recent research on CRE and the state of the economy [here](#).

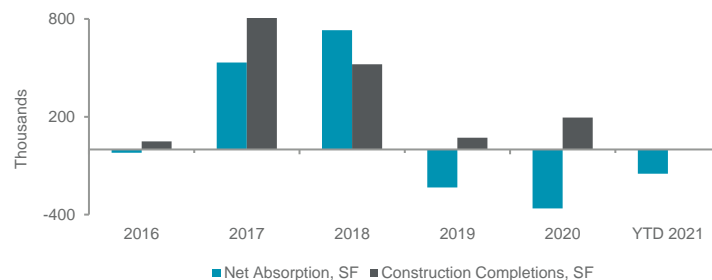
DEMAND:

FedEx's lease of the redeveloped Gibson Guitar building was the key transaction that led to positive absorption this quarter. The back to office statistics for the economy are varied, however anecdotally the local trend appears to be returning to the office with hybrid flex space. While smaller tenants are picking up and more large tenants, between 40,000 – 80,000 square feet (sf), are in the market, the shift in overall vacancy rates this quarter is not indicative of the true supply as some landlords have large amounts of shadow space, units or square footage that are not officially on the market but are available to be leased.

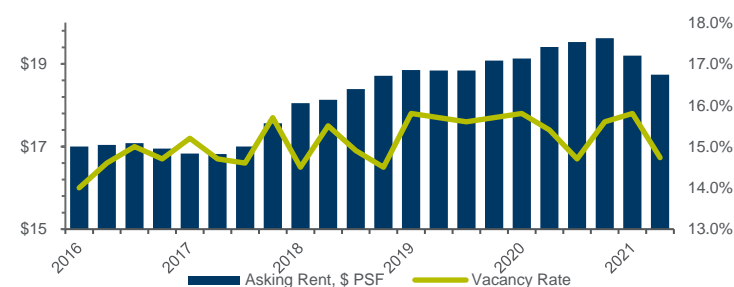
PRICING:

Quarter over quarter rental rates fell 2%, with overall asking rents at \$18.74 per square foot. Despite movement in the overall market, we've seen strong reluctance on the part of major landlords to reduce rates and some continue to raise rates in line with their purchase proformas in hopes market fundamentals will improve. The Memphis market had no significant movement in concessions during this quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	**OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
385 Corridor	3,478,034	11,194	525,106	15.4%	-12,464	-49,997	60,219	75,000	\$18.79	\$19.10
Airport	2,290,237	0	693,749	30.3%	-14,603	41,057	26,591	-	\$16.72	-
Downtown	4,684,148	30,785	454,098	10.3%	140,209	81,078	71,582	45,000	\$16.63	\$18.59
East	10,529,802	65,398	1,341,776	13.4%	-44,195	-154,431	229,942	30,000	\$20.79	\$30.13
Midtown	1,731,938	0	239,719	13.8%	-7,702	-21,287	24,227	-	\$17.65	-
North	509,462	0	19,986	3.9%	3,703	327	11,500	-	\$14.09	-
Northeast	2,951,203	10,134	463,503	16.0%	-29,765	-46,068	136,287	-	\$17.76	-
MEMPHIS TOTALS	26,174,824	117,511	3,943,611	14.7%	35,183	-149,321	560,399	150,000	\$18.74	\$23.94

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1000 Ridgeway Loop*	East	First Horizon	50,000	New
Germantown Park - Grove Bldg	Northeast	Undisclosed	45,038	New
One Memphis Place*	Downtown	EEOC	19,575	New
Goodlett Farms Office Park	Northeast	Regions Bank	13,000	New

*Not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2525 Horizon Lake Blvd	Northeast	Real Capital Solutions/Undisclosed	101,885	\$10.8M / \$75
6286 Briarcrest Ave	East	Weston/Carlyle Group	58,051	\$21.3M / \$366
272 Court Ave	Downtown	Masonic Temple/Townsend Development	56,439	\$2.2M / \$44
7205 Wolf River Blvd	East	Weston/Carlyle Group	47,802	\$20.3M / \$424

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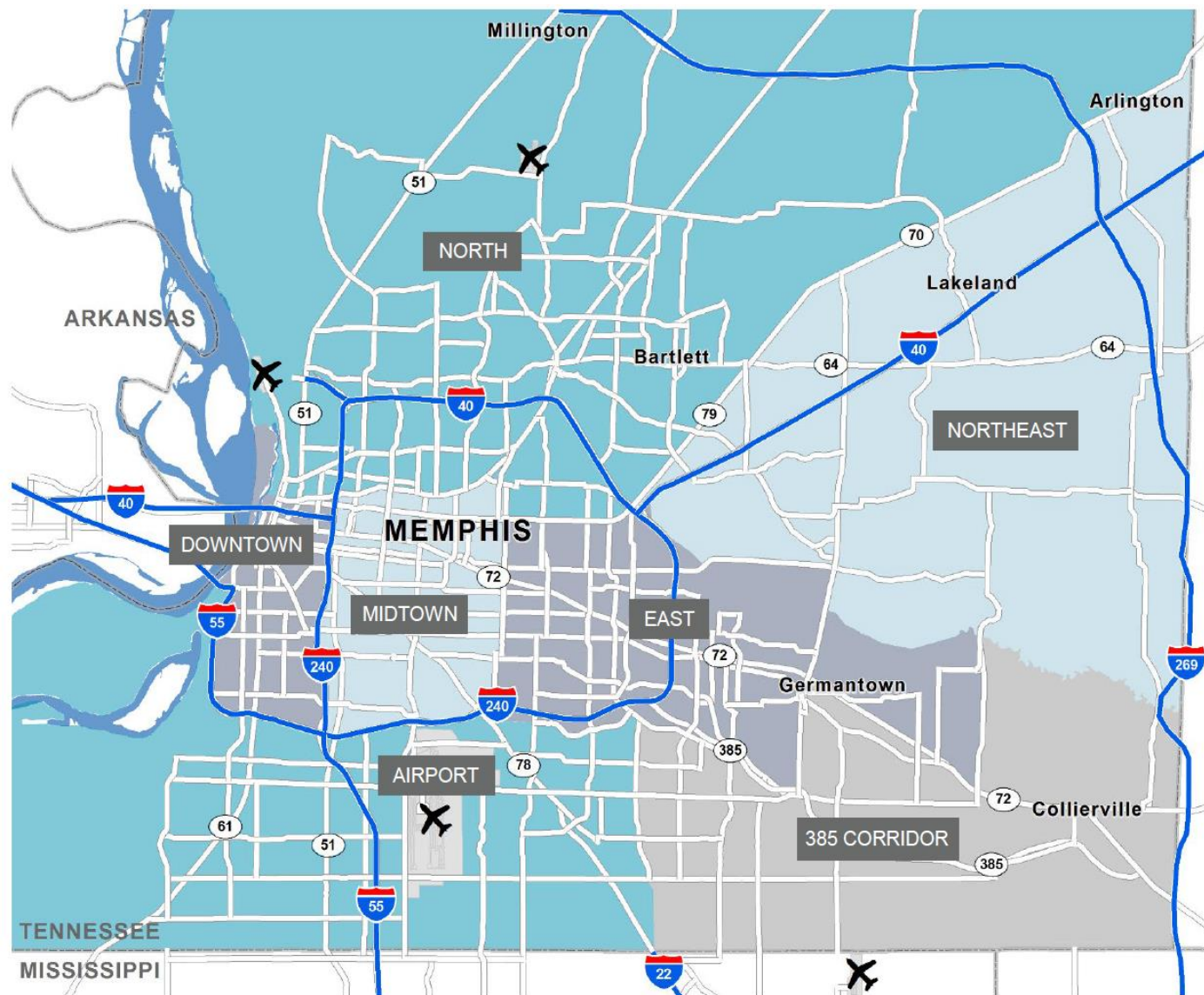
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CUSHMAN &
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OFFICE SUBMARKETS

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