

# MARKETBEAT MEMPHIS

Office Q1 2022



CUSHMAN &  
WAKEFIELD

**15.1%**

Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**238K**

Net Absorption, SF



**\$19.05**

Asking Rent, PSF



(Overall, All Property Classes)

\*Stats are not reflective of US  
MarketBeat Tables

## ECONOMIC INDICATORS Q1 2022

**653K**

Memphis  
Employment

YoY  
Chg



12-Mo.  
Forecast



**4.7%**

Memphis  
Unemployment Rate



**3.6%**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMY:

According to Deloitte's Q1 2022 forecast, nonresidential structures investment is down more than 20% from the pre-pandemic level. Per USA Facts State of the Economy, the US GDP grew 5.7% in 2021 and consumer prices were 7.5% higher in January 2022 than January 2021, the largest 12 month change in 40 years. A baseline forecast from the Federal Reserve shows inflation remaining at around 3.5% in 2022 before falling back to the 2% range.

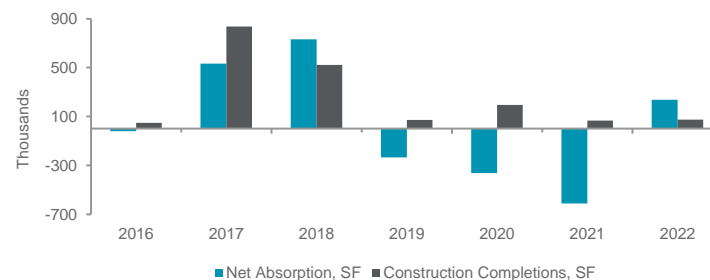
## DEMAND:

While overall vacancy has technically fallen, that's more a reflection of vacant sublease and direct lease space consolidating in the data set, and the state of the market becoming clearer, as COVID-19 has normalized than a significant decrease in vacant available space. Anecdotally, there's still a lot of ambiguity in the market. During office tours, empty parking lots in leased buildings are common and it's hard to know how much the current work trends will ultimately impact demand or over what timeline. Many landlords seem increasingly open to addressing this, and rising construction costs, by trading higher tenant improvement allowances for longer lease terms. Deals also seem to be moving faster to keep construction pricing from shifting prior to closing. We're seeing fewer large deals as pent-up demand during lockdown has played out and an increase in 2,000 square foot (sf) or less deals as smaller businesses establish a "home base" office environment.

## PRICING:

The overall average asking rates has increased from \$18.87 per square foot (psf) in Q4 2021 to \$19.05 psf at the end of Q1 2022, a roughly 1% increase. Rates are stable or increasing in well positioned assets, but average rates for the market remain below pre-COVID-19 levels. Cap rates are stable for now, consistent with the low interest rate environment, however, moves by the Fed this year may shift this trend.

## 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	3,931,828	17,627	597,758	15.7%	80,895	80,895	7,443	-	\$18.96	\$19.35
Airport	2,316,846	30,709	552,664	25.2%	84,218	84,218	4,505	-	\$16.80	-
Downtown	4,638,792	0	656,577	14.2%	22,064	22,064	125,146	97,000	\$17.07	\$19.04
East	10,553,285	49,237	1,241,042	12.2%	-19,833	-19,833	69,517	6,442	\$21.25	\$30.22
Midtown	1,814,680	0	219,227	12.1%	19,207	19,207	5,655	-	\$16.39	-
North	529,014	0	8,395	1.6%	11,591	11,591	-	-	\$14.60	-
Northeast	3,017,147	16,301	660,644	22.4%	39,554	39,554	38,734	-	\$18.62	\$16.70
<b>MEMPHIS TOTALS</b>	<b>26,801,592</b>	<b>113,874</b>	<b>3,936,307</b>	<b>15.1%</b>	<b>237,696</b>	<b>237,696</b>	<b>251,000</b>	<b>103,442</b>	<b>\$19.05</b>	<b>\$21.49</b>

Note: stats are not reflective of US MarketBeat Tables

\*\*not included in absorption as occupancy is later in 2022

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
150 Peabody Pl	Downtown	St. Jude Childrens Research Hospital	107,459	Sublease
Germantown Park – Building 65	Northeast	One GI, LLC	24,325	New
Travure	East	New York Life	9,624	New
Germantown Park – Building 51	Northeast	One GI, LLC	8,219	New

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Primacy Building 1	East	Armstrong Relocation/Primacy One LLC	123,859	\$5.25M /\$42.39
717 S White Station Rd	East	Walker Huey/Jones Aur	19,247	\$6.2M /\$322
158 Vance Ave	Downtown	Oden Marketing/Connect Music	17,000	\$2.5M/\$81.44



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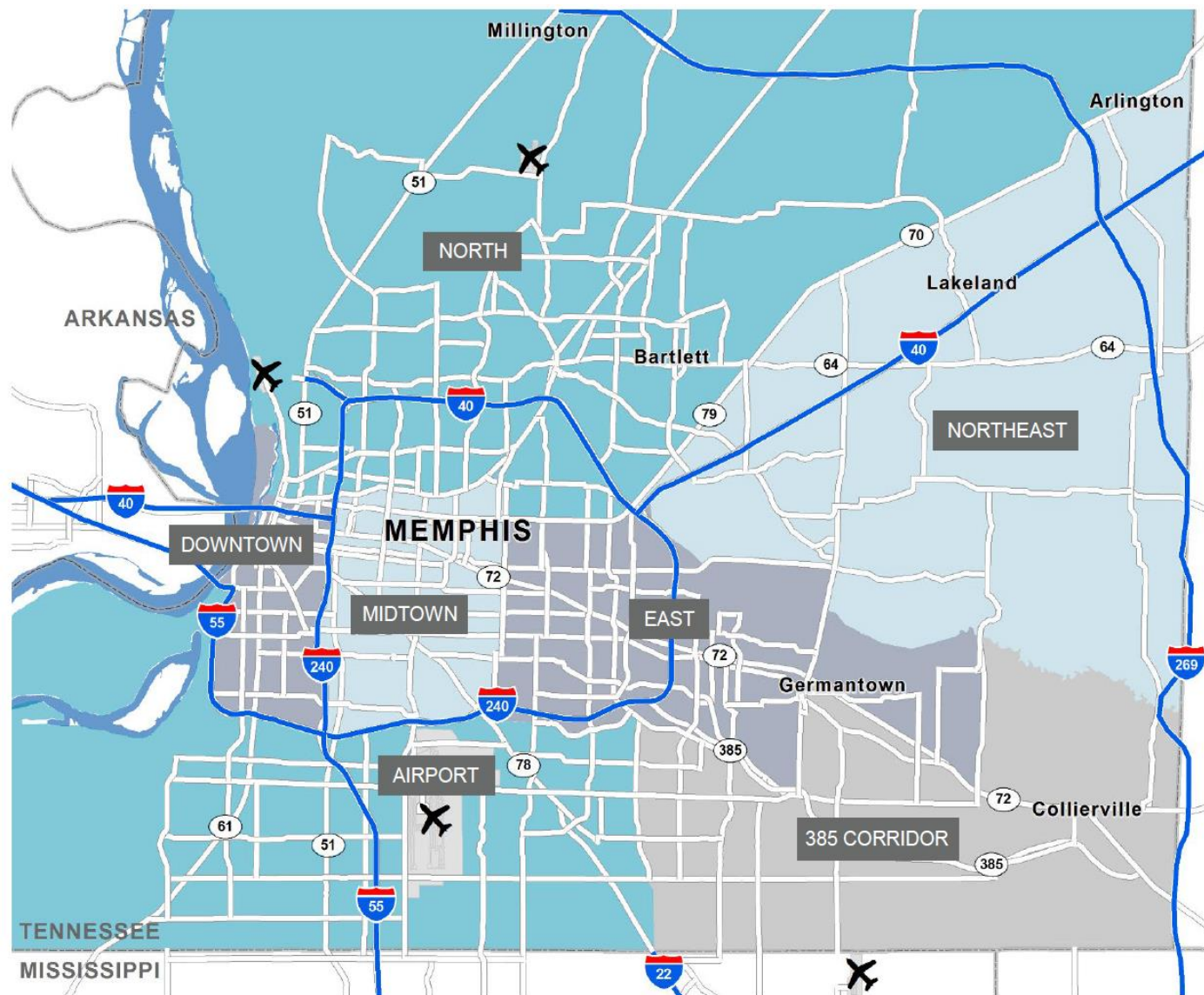
Office Q1 2022



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## OFFICE SUBMARKETS

Memphis, TN



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