



# MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



## Rental Rates Continue Steady Increase

### EXECUTIVE SUMMARY/MARKET OVERVIEW

The total Memphis office market ended Q3 2014 at just over 32.6 million square feet, including 27.2 million square feet in suburban submarkets and almost 5.4 million in the Central Business District (CBD). Total office vacancy rates ended Q3 2014 at 14.8%, a slight increase from Q2 2014's 14.6% but still a full percentage point lower than where we ended 2013.

Q3 2014's negative absorption of 53,034 square feet follows two quarters of strong positive absorption, leaving the market with y-t-d positive absorption of 321,458, largely as a result of positive net absorption in the CBD and East Submarkets.

Despite a slight overall increase in vacancy rates, overall rental rates increased from \$16.15 at the end of Q2 to \$16.29 as of the end of Q3 2014. The popular East Submarket has seen a steady decline in Class A vacancy rates and Q3 2014 was no exception, with rates dropping from 9% at the end of Q2 to 7.5% and a corresponding increase in asking rental rates from \$22.80 to \$22.93.

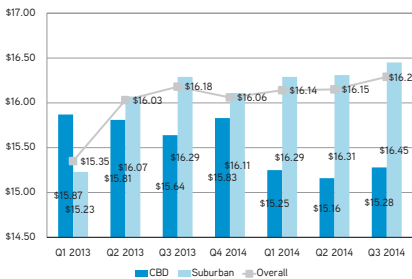
There were no deliveries in Q3 2014. A 241,000 square foot build-to-suit is underway on Poplar Avenue in the East Submarket, 100% preleased to International Paper.

### MARKET INDICATORS

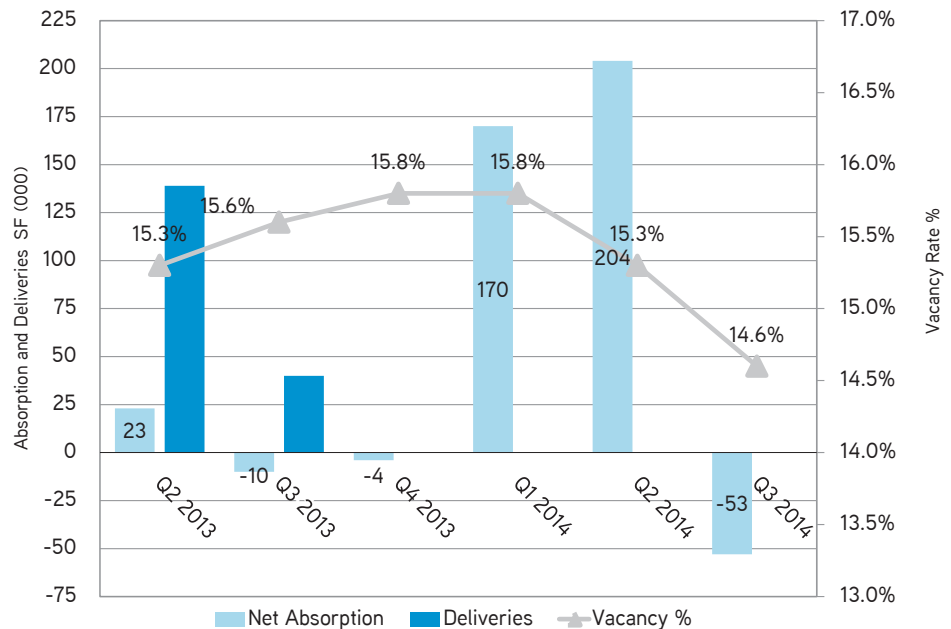
	Q3	Projected Next QTR
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↔

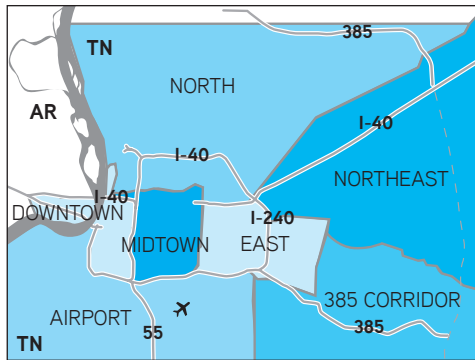
Arrows compare current quarter to the previous quarters' historically adjusted figures.

### WEIGHTED AVERAGE QUOTED RENTAL RATES (GROSS RENT)



### ABSORPTION, DELIVERIES AND VACANCY RATES





**UPDATE Recent Transactions**

**SALES ACTIVITY - SELECT TRANSACTIONS**

PROPERTY	SALES DATE	SALE PRICE	SIZE/SF	SALES PRICE/SQ. FT.	TYPE	BUYER
6060 Primacy Parkway, Lakecrest	7/3/2014	\$8,997,904	133,916	\$67.19	Class B	Lone Star Funds
5860 Ridgeway Center Parkway	7/14/2014	\$4,000,000	60,241	\$66.40	Class B	Green Mountain Consulting, LLC
5400 Poplar Avenue, Fountain Place	8/29/2014	\$4,350,000	42,264	\$102.92	Class B	West Tennessee Home Builders Association
5880 Ridge Bend Road	9/4/2014	\$1,100,000	10,000	\$110.00	Class B	Landmark Community Bank
1000 Brookfield Road	9/8/2014	\$3,300,000	20,287	\$162.67	Class B	David V. Couch

**UPDATE Recent Transactions**

**LEASING ACTIVITY - SELECT TRANSACTIONS**

PROPERTY ADDRESS	SUBMARKET	SIZE (SF)	TENANT
530 Oak Court, Oak Court Office Building	East	31,000	Monogram Food Solutions
5860 Ridgeway Center Pkwy	East	24,553	Green Mountain
6055 Primacy Parkway, Primacy II	East	21,982	FedEx Trade Networks
8000 Centerview Parkway, Oak Ridge Building	Northeast	17,000	Campbell Clinic
965 Ridge Lake Blvd	East	13,246	Baptist Medical Group
7800 Wolf Trail Cove	East	10,800	Women's Health Specialist*
850 Ridgelake Blvd	East	10,268	EPG Insurance & Ideas
6070 Poplar Avenue, Triad Center III	East	7,296	KPMG LLP
5400 Poplar Avenue	East	6,679	West TN Homebuilders Association
1661 International Place, The Colonnade	East	5,827	MetroCare
6401 Poplar Avenue, PennMarc Centre	East	5,262	Southern Cardiology
1000 Ridgeway Loop, Marsh Center	East	5,184	Undisclosed
6070 Poplar Avenue, Triad Center III	East	5,172	SSM Management Company, LLC
3175 Lenox Park Drive, Lenox Park	385 Corridor	5,145	Undisclosed
8001 Centerview Parkway, Parkway Building	Northeast	4,771	UTMG Ophthalmology
3725 Champion Hills, Champion Hills Building	385 Corridor	4,739	Hair Club
999 S. Shady Grove, Ridgeway Center	East	4,009	Undisclosed
1661 International Place, The Colonnade	East	3,767	FirstBank
6055 Primacy Parkway, Primacy II	East	3,735	Orthodiscovery
6075 Poplar Avenue, Crescent Center	East	3,209	Argent Trust
5050 Poplar Avenue, I-Bank Tower	East	2,542	Main Street Renewal
920 Estate Drive	East	2,225	Methodist Le Bonheur

Leasing activity for Q3-14 reflects executed and/or commenced transactions. Leases include new deals in the market and renewals \*Renewal

MEMPHIS Q3 2014 OFFICE MARKET STATISTICS

	TOTAL RBA		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION		DELIVERIES		CONSTRUCTION	RATES
	# Bldgs	SF	SF	%	SF	%	Total SF	% Current QTR	% Prior QTR	Current QTR	YTD	Current QTR	YTD	Current	Gross
<b>CLASS A</b>															
CBD	9	2,009,825	428,992	21.3%	26,275	1.3%	455,267	22.7%	20.6%	-40,481	93,462				\$17.17
Suburban	64	8,309,170	669,389	8.1%	13,934	0.2%	683,323	8.2%	8.1%	-12,439	23,839			241,000	\$21.08
<b>Total</b>	<b>73</b>	<b>10,318,995</b>	<b>1,098,381</b>	<b>10.6%</b>	<b>40,209</b>	<b>0.4%</b>	<b>1,138,590</b>	<b>11.0%</b>	<b>10.5%</b>	<b>-52,920</b>	<b>117,301</b>				<b>\$19.78</b>
<b>CLASS B</b>															
CBD	39	2,025,640	179,086	8.8%	0	0.0%	179,086	8.8%	9.1%	5,063	40,091				\$14.39
Suburban	315	15,375,424	2,632,926	17.1%	48,465	0.3%	2,681,391	17.4%	17.3%	-17,591	121,781				\$16.23
<b>Total</b>	<b>354</b>	<b>17,401,064</b>	<b>2,812,012</b>	<b>16.2%</b>	<b>48,465</b>	<b>0.3%</b>	<b>2,860,477</b>	<b>16.4%</b>	<b>16.4%</b>	<b>-12,528</b>	<b>161,872</b>				<b>\$16.12</b>
<b>CLASS C</b>															
CBD	36	1,367,684	177,578	13.0%	0	0.0%	177,578	13.0%	14.7%	23,133	33,483				\$9.83
Suburban	165	3,534,802	651,211	18.4%	0	0.0%	651,211	18.4%	18.1%	-10,719	8,802				\$11.75
<b>Total</b>	<b>201</b>	<b>4,902,486</b>	<b>828,789</b>	<b>16.9%</b>	<b>0</b>	<b>0.0%</b>	<b>828,789</b>	<b>16.9%</b>	<b>17.2%</b>	<b>12,414</b>	<b>42,285</b>				<b>\$11.47</b>
<b>TOTAL</b>															
CBD (Downtown)	84	5,403,149	785,656	14.5%	26,275	0.5%	811,931	15.0%	14.8%	-12,285	167,036				\$15.28
Suburban	544	27,219,396	3,953,526	14.5%	62,399	0.2%	4,015,925	14.8%	14.6%	-40,749	154,422			241,000	\$16.45
<b>Total</b>	<b>628</b>	<b>32,622,545</b>	<b>4,739,182</b>	<b>14.5%</b>	<b>88,674</b>	<b>0.3%</b>	<b>4,827,856</b>	<b>14.8%</b>	<b>14.6%</b>	<b>-53,034</b>	<b>321,458</b>			<b>241,000</b>	<b>\$16.29</b>
<b>SUBMARKET</b>															
385 Corridor	97	6,147,979	603,463	9.8%	3,340	0.1%	606,803	9.9%	8.8%	-63,298	-65,236				\$18.64
Airport	95	4,542,939	1,322,572	29.1%	0	0.0%	1,322,572	29.1%	29.1%	759	4,036				\$12.81
Crittenden County	8	198,722	2,672	1.3%	0	0.0%	2,672	1.3%	2.9%	0	3,000				\$13.85
DeSoto County	27	445,313	66,135	14.9%	10,858	2.4%	76,993	17.3%	15.6%	-5,711	-3,817				\$15.51
Downtown	84	5,403,149	785,656	14.5%	26,275	0.5%	811,931	15.0%	14.8%	-12,285	167,036				\$15.28
East	158	10,000,072	1,271,371	12.7%	42,627	0.4%	1,313,998	13.1%	13.4%	22,173	188,642			241,000	\$19.34
Midtown	59	1,842,748	238,277	12.9%	0	0.0%	238,277	12.9%	13.1%	2,916	25,687				\$13.68
North	36	1,132,526	169,619	15.0%	0	0.0%	169,619	15.0%	14.0%	-11,401	-8,849				\$13.04
Northeast	64	2,909,097	279,417	9.6%	5,574	0.2%	284,991	9.8%	10.3%	13,813	10,959				\$17.48
<b>TOTAL</b>	<b>628</b>	<b>32,622,545</b>	<b>4,739,182</b>	<b>14.5%</b>	<b>88,674</b>	<b>0.3%</b>	<b>4,827,856</b>	<b>14.8%</b>	<b>14.6%</b>	<b>-53,034</b>	<b>321,458</b>	<b>0</b>		<b>241,000</b>	<b>\$16.29</b>

	TOTAL RBA		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION		DELIVERIES		CONSTRUCTION	RATES
	# Bldgs	SF	SF	%	SF	%	Total SF	% Current QTR	% Prior QTR	Current QTR	YTD	Current QTR	YTD	Current	Gross
2014 3Q	628	32,622,545	4,739,182	14.5%	88,674	0.3%	4,827,856	14.8%	14.6%	-53,034	321,458	0		241,000	\$16.29
2014 2Q	628	32,622,545	4,706,785	14.4%	68,037	0.2%	4,774,822	14.6%	15.3%	204,235	374,492	0		241,000	\$16.15
2014 1Q	628	32,622,545	4,922,373	15.1%	56,684	0.2%	4,979,057	15.3%	15.8%	170,257	170,257	0		241,000	\$16.14
2013 4Q	626	32,599,075	5,076,526	15.6%	49,318	0.2%	5,125,844	15.8%	15.8%	-3,868	-51,737	0		0	\$16.06
2013 3Q	626	32,599,075	5,071,918	15.6%	50,058	0.2%	5,121,976	15.8%	15.6%	-9,599	-47,869	40000	179292	0	\$16.18
2013 2Q	625	32,599,075	5,023,317	15.4%	49,060	0.2%	5,072,377	15.6%	15.3%	22,700	-46,016	139392	139392	0	\$16.03
2013 1Q	623	32,419,683	4,834,814	14.9%	120,871	0.4%	4,955,685	15.3%	15.1%	-60,970	-60,970	0	0	179,392	\$15.35
2012 4Q	623	32,419,683	4,765,904	14.7%	128,811	0.4%	4,894,715	15.1%	15.6%	162,345	-3,457	0	0	179,392	\$15.07
2012 3Q	623	32,419,683	4,866,761	15.0%	190,299	0.6%	5,057,060	15.6%	15.2%	-126,766	-165,802	0	0	139,392	\$15.58
2012 2Q	623	32,419,683	4,704,537	14.5%	225,757	0.7%	4,930,294	15.2%	15.4%	63,030	-39,036	0	0	139,392	\$15.59
2012 1Q	623	32,419,683	4,698,740	14.5%	294,584	0.9%	4,993,324	15.4%	15.1%	-102,066	-102,066	0	0	26,000	\$15.74

Includes existing office buildings over 10,000 SF. Excludes medical and government owned and occupied buildings.

\* Sublease space equals available space which is currently leased and occupied by the sub-tenant (lessee). Vacancy rate is only affected by sublet space when sub-tenant has vacated property.

\*\*Net Absorption based on occupancy date.

Source: CoStar Group

**Class A:** Premier office space featuring excellent amenities, quality tenants and premium rents

**Class B:** Quality office space and building amenities.

**Class C:** Functional office space with below average rents.

**Inventory:** The total square feet of all single and multi-tenant office properties greater than 10,000 square feet. Inventory does not include medical, government, or owner-occupied buildings.

**Vacant SF:** Space that is not currently occupied either physically or economically.

**Vacancy Rate:** Percentage of space that isn't occupied: Vacant SF/ Inventory.

**Net Absorption:** Change in occupied space during a quarter, year, or specified time period.

**Asking Rental Rate:** The average cost of one square foot of space per year. Asking Rental Rate is weighted on building size.

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485 offices in  
63 countries on  
6 continents

Professionals & Staff: 15,800  
Brokers: 5,800  
Square Feet Managed: 1.46 Billion\*  
Lease/Sale Transactions: 80,000  
Total Transaction Value: \$75 Billion

Based on 2013 results.

\* Square footage includes office, industrial, and retail property under management. Residential property is excluded from this total.

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**Q3 2014 SUBMARKET RENTAL AND VACANCY RATES**

