

NAR Commercial Real Estate Metro Market Report | 2021.Q2

Memphis, TN-MS-AR

Core-Based Statistical Area Code: 32820

The Memphis, TN-MS-AR commercial real estate market is weaker compared to the overall U.S. market.
NAR Commercial Real Estate Market Conditions Index* 45.5

Overall economic conditions are weaker than nationally.
The apartment property market is about the same than nationally.
The office property market is about the same than nationally.
The industrial property market is stronger than nationally.
The retail property market is about the same than nationally.
The hotel/lodging property market is weaker than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

Economic	Memphis, TN-MS-AR			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total non-farm employment ('000)	647	636	608	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	38	(15)	(44)	8,102	(6,637)	(13,215)	
Y/Y % chg. in nonfarm payroll employment	6.3%	-2.3%	-6.7%	5.8%	-4.4%	-8.7%	Job creation is stronger than nationally
Unemployment rate (%)	6.6%	6.5%	11.2%	5.9%	6.0%	11.1%	Unemployment rate is higher than nationally
Average weekly wages	\$917	\$923	\$916	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	0.1%	2.6%	4.6%	4.3%	6.7%	5.6%	Wages are rising at a slower pace than nationally
2019							
GDP growth (%)	0.1%	2.0%	1.2%	2.3%	2.9%	2.3%	
Median household income	\$54,859	\$50,338	\$50,984	\$87,470	\$84,423	\$81,284	
2020							
Net domestic migration ('000)	(2.5)	(3.4)	(3.6)	0	0	0	Area is experiencing net domestic out-migration
Population ('000)	1,349	1,346	1,344	329,484	328,330	326,838	
Population growth (%)	0.17%	0.18%	0.31%	0.35%	0.46%	0.53%	Population growth is slower than nationally

II. Multifamily

Demand indicators	Memphis, TN-MS-AR			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	9.7%	9.8%	11.2%	4.2%	4.7%	5.5%	The area has a higher vacancy rate than nationally
Absorption of units over the quarter	482	607	671	226,871	169,053	78,282	The area has a lower pace of absorption than nationally
Absorption of units in past 12 months	2,263	2,452	1,416	603,925	455,336	255,168	
Market asking rent per unit	\$987	\$941	\$887	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	11.2%	7.5%	2.4%	6.1%	3.9%	1.8%	Rents are rising faster than nationally
Effective rent per unit	\$982	\$936	\$881	\$1,000	\$972	\$945	
Effective rent per unit, y/y % chg	11.5%	7.6%	3.4%	6.4%	3.7%	2.3%	The rent to income ratio is higher than nationally
Rent as a percent of 2-person annual wage income	12.3%	11.7%	11.1%	10.9%	10.7%	10.7%	
Supply indicators							
Inventory	95,027	94,675	94,176	17,259,876	17,168,283	16,881,961	
Net delivered units in past 12 months	851	493	1,009	377,954	387,779	389,240	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	0.9%	0.5%	1.1%	2.2%	2.3%	2.3%	
Units under construction	2368	2365	1740	578,162	609,682	681,731	
Units under construction, as % of inventory	2.5%	2.5%	1.8%	3.3%	3.6%	4.0%	Construction activity is slower than nationally
12-month total: 5+ unit building permits	1,056	881	842	463,443	435,217	452,345	
12-month total: all building permits	5,464	5,528	4,346	1,642,586	1,574,266	1,361,395	Building permits are rising faster than nationally
Ratio of jobs created to permits	7.0	(2.7)	(10.0)	4.9	(4.2)	(9.7)	
Sales transactions							
Total investment acquisitions (in million \$)	\$202.8	\$83.6	\$30.3	\$41,291.4	\$28,735.4	\$13,346.3	Sales transactions are rising faster than nationally
Transaction sales price per unit	\$68,686	\$76,047	\$36,113	\$100,508	\$98,594	\$80,364	Prices are rising faster nationally
Cap rate	9.0%	11.2%	11.2%	6.4%	6.6%	6.6%	Cap rates are higher than nationally

III. Office

Demand indicators	Memphis, TN-MS-AR			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	10.5%	10.7%	9.7%	6.1%	10.7%	9.7%	The area has a higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	324,768	(221,043)	52,323	(9,309,111)	(51,131,309)	(13,966,267)	The area has a faster pace of absorption than nationally
Absorption in sq.ft. over 12 months	(155,955)	(428,400)	181,801	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$19.4	\$19.2	\$19.1	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	1.9%	1.4%	0.6%	0.3%	0.0%	1.3%	Rents are rising faster than nationally
Leasing activity in sq.ft.	369,469	238,751	316,151	100,568,800	81,175,252	81,276,145	Leasing volume is not rising as fast than nationally
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	15	5	(9)	1,260	(501)	(1,715)	The area has slower office job creation than nationally
Supply indicators							
Inventory in sq. ft.	56,570,671	56,352,421	56,289,641	12,454,676,333	12,428,381,226	12,364,751,288	
Net delivered over 12 months, in sq.ft.	281,030	33,594	66,210	87,967,591	76,138,970	78,991,496	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	0.5%	0.1%	0.1%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	383,627	519,362	480,502	177,275,188	186,528,025	209,268,041	
Under construction, as % of inventory	0.7%	0.9%	0.9%	1.4%	1.5%	1.7%	Construction activity is slower than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$86.7	\$46.9	\$24.0	\$23,909.8	\$21,181.7	\$11,269.3	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$210	\$86	\$50	\$108	\$106	\$105	Prices are rising faster nationally
Cap rate	9.0%	11.2%	11.2%	6.4%	6.6%	6.6%	Cap rates are higher than nationally

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IV. Industrial

	Memphis, TN-MS-AR			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	5.1%	5.4%	6.3%	4.2%	5.4%	6.3%	The area has higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	1,253,950	3,955,968	2,553,838	146,182,325	119,411,326	56,883,324	The area has lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	11,999,410	13,299,298	3,033,956	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$4.1	\$4.0	\$3.8	\$6.5	\$6.4	\$6.1	Rents are rising faster than nationally
Asking rent growth, y/y % chg.	7.2%	4.6%	0.5%	5.2%	4.6%	0.5%	Leasing volume is not rising as fast than nationally
Leasing activity in sq.ft.	5,570,305	3,897,552	5,031,974	319,474,044	296,163,970	254,024,482	
Supply indicators							
Inventory in sq. ft.	295,454,106	295,173,572	286,680,368	26,553,663,022	26,461,805,496	26,166,021,757	Relatively more units are being delivered than nationally
Net delivered over 12 months, in sq.ft.	8,773,738	12,330,324	6,319,010	385,387,457	398,260,005	382,527,483	
Net delivered units, as % of inventory	3.0%	4.2%	2.2%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	10,564,349	11,144,883	12,453,148	567,307,627	521,498,024	452,528,658	Construction activity is more robust than nationally
Under construction, as % of inventory	3.6%	3.8%	4.3%	2.1%	2.0%	1.7%	
Sales transactions							
Total investment acquisitions (in million \$)	\$76.7	\$151.7	\$197.3	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$42	\$51	\$42	\$61	\$56	\$54	Prices are not rising as fast than nationally
Cap rate	8.0%	7.4%	9.1%	7.4%	7.4%	9.1%	Cap rates are higher than nationally

V. Retail

	Memphis, TN-MS-AR			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	4.4%	4.9%	4.5%	4.3%	4.5%	4.2%	The area has a higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	347,674	(91,947)	(117,879)	26,554,046	6,829,628	(12,969,003)	The area has a lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	168,741	(296,812)	(37,227)	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$14.3	\$13.9	\$13.9	\$14.5	\$14.5	\$14.3	Rents are rising faster than nationally
Asking rent growth, y/y % chg.	2.7%	1.0%	3.4%	1.4%	1.0%	1.5%	Leasing volume is not rising as fast than nationally
Leasing activity in sq.ft.	378,766	273,979	416,919	65,144,289	60,598,011	44,924,273	The area has stronger retail trade job creation than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	1.70	(3.50)	(1.00)	822.30	(1,100.50)	(245.60)	
Supply indicators							
Inventory in sq. ft.	90,932,260	91,064,359	90,876,811	15,772,300,571	15,764,713,778	15,724,204,780	Relatively fewer units are being delivered than nationally
Net delivered over 12 months, in sq.ft.	55,449	27,636	(26,867)	46,178,397	47,102,191	58,535,237	
Net delivered units, as % of inventory	0.1%	0.0%	0.0%	0.3%	0.3%	0.4%	Construction activity is more robust than nationally
Under construction in sq.ft.	459,591	506,535	648,406	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.5%	0.6%	0.7%	0.4%	0.4%	0.5%	
Sales transactions							
Total investment acquisitions (in million \$)	\$106.7	\$88.5	\$52.2	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$100	\$115	\$70	\$134	\$136	\$134	Prices are rising faster nationally
Cap rate	6.6%	7.4%	8.7%	6.6%	6.6%	6.7%	Cap rates are lower than nationally

VI. Hotel/Lodging

	Memphis, TN-MS-AR			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	63.8	56.5	52.8	15,395.0	13,448.0	12,637.0	Job creation in the leisure industry is weaker than nationally
Y/Y change ('000)	11.0	(9.8)	(16.5)	2,758.0	(2,297.0)	(4,590.0)	The area has a smaller share of leisure jobs than nationally
% share to nonfarm payroll employment	9.9%	8.9%	8.7%	10.5%	9.4%	9.1%	

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g., employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.