

# INVESTMENT FORECAST

Office  
Memphis Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS





2025

## Downtown Provides Silver Lining as Improving Demographics Indicate a Possible Turnaround

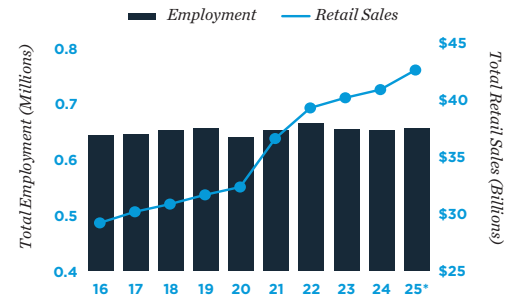
**Memphis city center proves resistant to overall softening.** Downtown vacancy remained relatively stable last year, while East Memphis, Collierville and Cordova experienced rate compressions of up to 100 basis points. This came as less affluent areas of the metro drove the marketwide rate up 70 basis points last year. Tightening in key submarkets is a positive sign for the metro, which saw population growth and net in-migration improve drastically in the last two years, with both expected to strengthen this year. Downtown's retail outlook is also favorable after local apartment vacancy fell 350 basis points last year, while offices in the area started 2025 just 20 basis points below record-high occupancy despite two years of net metrowide job losses. Alongside negligible retail construction this year, household growth roughly 75 percent above the long-term average and renewed hiring bode well for the city center. Move-ins slated for this year are led by experiential retailers, grocers and discount brands, with the greatest leasing activity taking place in Midtown, Collierville and Cordova.

**Long-term prospects sustain investor interest.** With the exception of 2020, Memphis retail vacancy has stayed below 5 percent for nearly a decade, and while leasing activity slowed in recent years, 2024 transaction velocity stayed in line with the 2014-2019 average. Last year's trades were dominated by fast food and ground-floor office retail locations, with a secondary focus on restaurants and storefronts. Many investors pursued triple-net investments and assets with national tenants, from Taco Bell, KFC and Burger King, to retailers like Family Dollar, AutoZone and Walgreens. Following recent demographic trends, trades are likely to remain concentrated in major population centers in North and Northeast Memphis, Downtown, and Midtown.

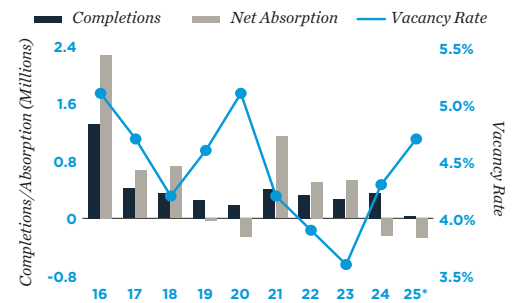
### 2025 MARKET FORECAST

- +0.6%**  **EMPLOYMENT:** After losing nearly 12,000 roles in the last two years, the metro will welcome 4,000 new jobs in 2025, increasing total employment above pre-pandemic levels once again.
- 35,000 sq. ft.**  **CONSTRUCTION:** Deliveries this year are limited to just a handful of small floorplans, most of which are fast food and restaurant locations. This will raise inventory less than 0.05 percent.
- +40 bps**  **VACANCY:** As retail space demand grows in the city center, this year will see a slower overall vacancy rise than 2024, bringing the metric to 4.7 percent by year-end.
- 2.1%**  **RENT:** Loosening conditions will nudge the average asking rent down to \$13.20 per square foot this year, making Memphis the second-most affordable major market in the nation.
- INVESTMENT:** Triple-net assets leased to credit tenants trading for as low as \$117 per square foot in Downtown and Midtown should attract investors as falling multifamily vacancy and a tight office sector raise foot traffic.

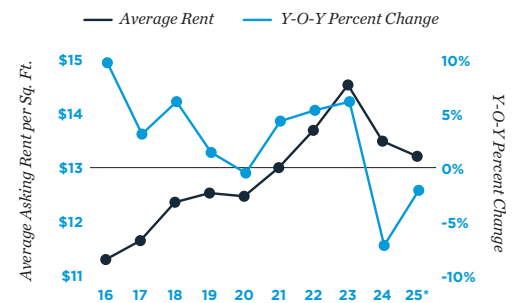
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.