

INVESTMENT FORECAST

Office
Memphis Metro Area

IPA
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ADVISORS

2026

Demand Continues to be Concentrated Amid Low Supply Growth and Slower Transaction Activity

New supply tapers as demand thrives along U.S. Route 72. Although Memphis' central business district is among the least vacant among major metros, recent leasing activity continues to shift east toward the 385 Corridor, and East and Northeast Memphis. East Memphis, holding the metro's largest inventory, remains the focal point for leasing activity, averaging about 3,000 square feet per signing. The area is also home to the University of Memphis, streamlining talent supply for local businesses. In the 385 Corridor, Class B/C vacancies remain in single digits, with Class B leasing signaling demand for mid-tier assets in particular. Finance, insurance, and professional service firms looking in the area may continue to gravitate closer to Route 72, which provides access to the 385 Corridor and central Memphis. Route 72's structural stability and recent momentum point to further vacancy compression, with Class B assets leading the trend.

Submarket dominance persists. Pricing continued to soften as cap rates expanded last year, reflecting an ongoing bid-ask spread. While these dynamics slowed deal flow, they could create a more favorable entry point as valuations reset and yields improve. Activity was concentrated in the 385 Corridor along Route 72, primarily in Class B assets, a trend likely to continue in this submarket. Although Memphis has historically been driven by private investors, in 2025 they were net sellers, while users were net buyers, underscoring how market dislocation is creating opportunities for user-driven strategies. Larger assets have also found buyers in the current environment, as nearly 80 percent of the acquisition capital deployed last year comprised just four transactions concentrated in the East, Northeast, and 385 Corridor. Trading activity may remain subdued until bid-ask spreads narrow, but improving liquidity and fundamentals could drive a recovery.

2026 MARKET FORECAST

+0.8%



Employment: Modest job growth extends through this year, delivering the strongest annual net gain since 2022. The metro ties for 12th nationally, for year-over-year percent change in employment.

100,000
sq. ft.



Construction: Inventory growth slows to 0.2 percent, marking the lowest completion rate since 2020 and keeping the metro among the tightest supply nationally.

-30 bps



Vacancy: Strong net absorption helps vacancy edge lower to 12.1 percent, ranking in the top quartile for the least vacant market among major metros.

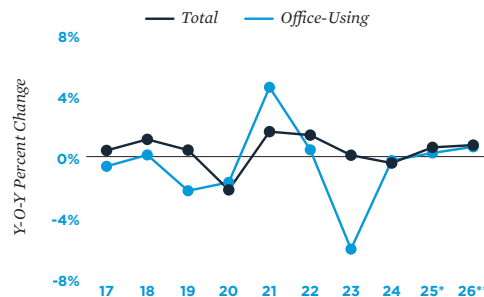
+0.8%



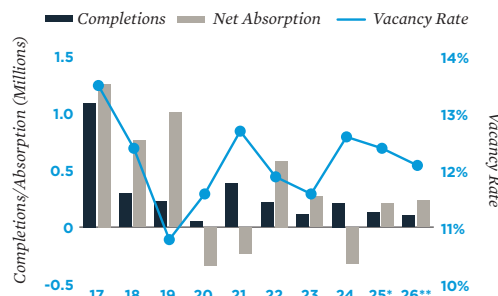
Rent: A subtle reduction in vacancy aids rent growth, with the average asking rate reaching \$18.90 per square foot. However, Memphis maintains one of the lowest rents among major metros.

INVESTMENT: *Flight-to-quality is benefiting East Memphis. Holding the metro's largest Class A inventory, the area posts lower vacancies than downtown, positioning investors in East Memphis for positive returns.*

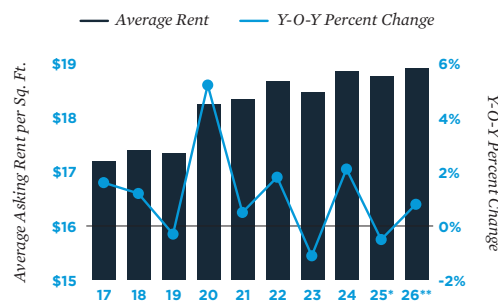
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** 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 January 2026. 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 office 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.