

FIGURES | MEMPHIS OFFICE | Q1 2026

Gradual stabilization in Memphis office market as institutional activity drives change

▲ 15.7%

Direct Vacancy Rate

▼ -88K

SF Net Absorption

▶ 0

SF Construction Delivered

▶ \$22.65

Class A Direct Asking Rate

▲ \$19.56

Class B Direct Asking Rate

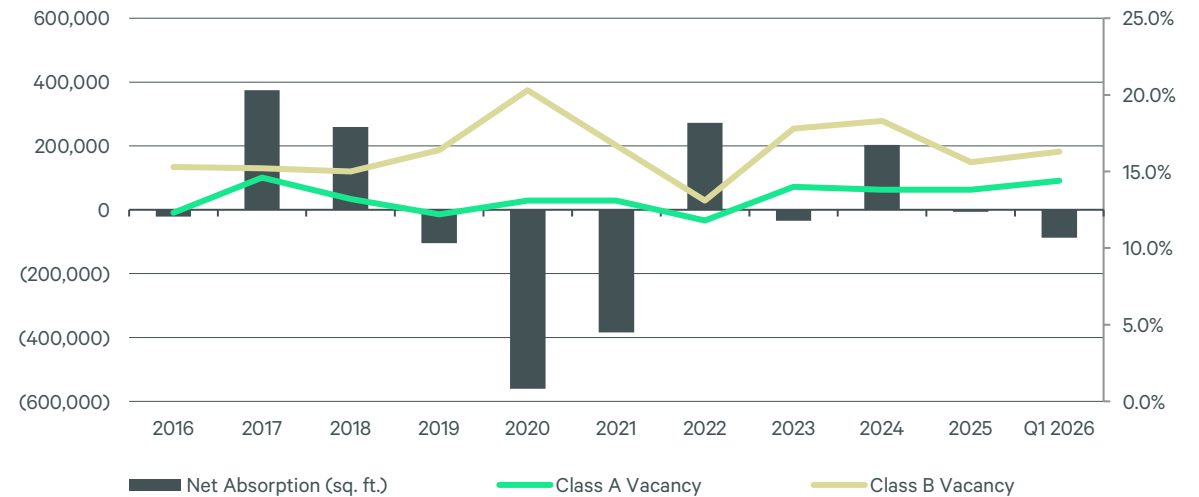
Note: Arrows indicate change from previous quarter.

Market Overview

The Memphis office market continues to navigate a drawn-out stabilization phase, defined by elevated vacancy, uneven tenant demand, and a gradual, transaction-dependent recovery from pandemic-era disruption. As of Q1 2026, the total market direct vacancy rate improved modestly year-over-year to 15.7%, down from 16.5% in Q1 2025. This tightening has been driven primarily by limited tenant give-backs, space consolidations, and improved retention, as opposed to sustained expansionary leasing activity, underscoring the continued lack of strong net new demand. Asking rental rates have remained largely flat, with landlords emphasizing concessions, renewal flexibility, and tenant improvements over rate growth to preserve occupancy amid a competitive leasing environment.

Within the broader market environment, the Northeast submarket has emerged as a key driver of recent activity, shaped less by conventional multi-tenant leasing and more by owner-occupier and institutional investment. Recent acquisitions by Memphis Light, Gas & Water (MLGW) and KIPP Memphis Public Schools in Goodlett Farms Business Park have removed a portion of office inventory through long-term occupancy and adaptive reuse. As a result, the submarket has experienced pronounced localized vacancy compression, with vacancy declining to 16.5% in Q1 2026 from 25.2% in Q1 2025, highlighting how institutional demand is driving performance in this area.

Figure 1: Historical Net Absorption and Vacancy



Source: CBRE Research, Q1 2026

Vacancy and Net Absorption

Vacancy and absorption trends in the Memphis office market continue to point to a gradual and uneven recovery, with modest improvements obscuring underlying demand weakness. Total market vacancy declined year over year to 15.7% in Q1 2026 from 16.5% in Q1 2025, signaling incremental tightening rather than a sustained rebound. Net absorption totaled -87,688 sq. ft. during the quarter, driven primarily by notable givebacks in the 385 Corridor and Northeast submarkets, largely concentrated in Class B space. These losses were partially offset by modest Class A absorption in Downtown and the 385 Corridor, along with slight gains in the North submarket. Overall absorption continues to fluctuate as tenant activity remains focused on renewals, consolidations, and selective relocations. While periods of positive absorption—most recently in 2024—underscore pockets of demand, subsequent flat to negative performance in 2025 and early 2026 indicates that leasing momentum has yet to stabilize. Consequently, vacancy reduction has been slow and transaction-dependent, and with no speculative construction underway, future improvement will hinge primarily on incremental absorption tied to employment growth rather than supply-side constraints.

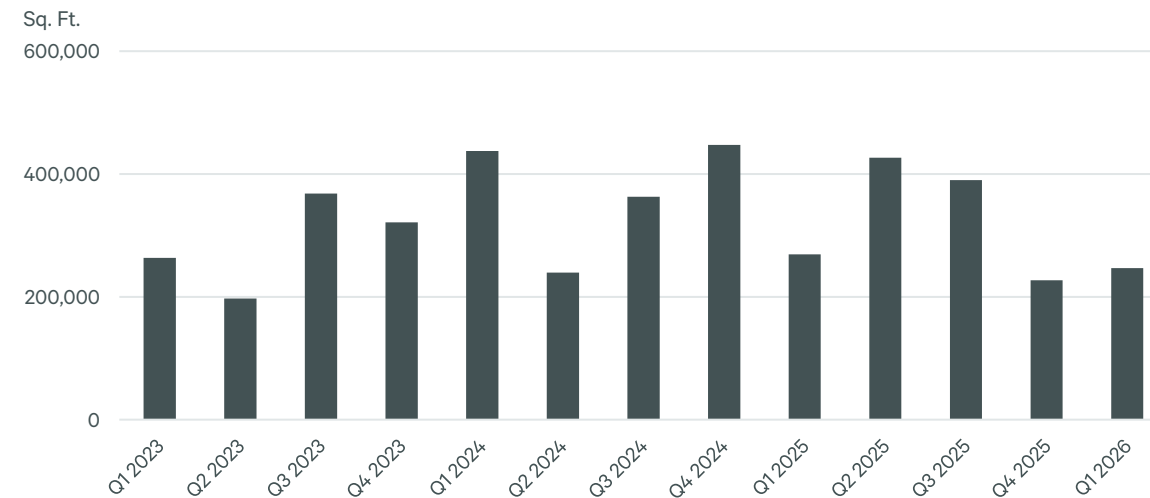
Leasing Activity

Leasing activity in Q1 2026 totaled 246,532 sq. ft., with transaction volume heavily concentrated in the East and Northeast submarkets, reinforcing the market’s renewals-driven profile. The East submarket led all areas, accounting for nearly half of total leasing activity (120,903 sq. ft.), with a notable share attributable to renewals and renewal/expansion transactions, signaling a strong emphasis on tenant retention and modest in-place growth rather than large relocations. The Northeast submarket also posted substantial activity (80,839 sq. ft.), overwhelmingly driven by renewals. Downtown leasing totaled 27,863 sq. ft., dominated by renewals, while the 385 Corridor saw a more balanced mix of new leases, renewals, and limited expansions, albeit at a lower overall volume. Leasing activity in Midtown and North submarkets remained minimal. Overall, the composition of leasing activity highlights a market characterized by defensive occupancy decisions, limited expansionary demand, and leasing outcomes that are highly dependent on existing tenant commitments rather than new tenant inflows.

Economic Outlook

Despite the maturity of the current business cycle, U.S. economic growth remains resilient, with GDP expected to average approximately 2.1%, outperforming many peer economies. For Memphis, this backdrop provides a degree of downside protection but not a near-term catalyst for office demand. Inflation and interest-rate risks remain the most relevant macro variables for the local office sector. Headline inflation is forecast to average 3.2%, up from earlier expectations, driven in part by geopolitical uncertainty and energy price volatility. A prolonged escalation of geopolitical tensions and oil prices could push inflation and long-term yields higher, further suppressing capital markets activity, delaying leasing decisions, and pressuring office valuations.

Figure 2: Leasing Activity Trend



Source: CBRE Research, Q1 2026

Figure 3: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
GSA	45,038	Renewal	Germantown Park	Northeast
Adams Keegan	31,401	Renewal/Expansion	Forum I	East
The Neurology Clinic, P.C.	22,859	Renewal	Germantown Park	Northeast
Lewis Thomason, PC	21,184	Renewal	One Commerce Square	Downtown
LBMC	17,729	Renewal/Expansion	Clark Tower	East
Methodist Healthcare	7,979	New Lease	Kirby Gate	East
Progressive Casualty Insurance Company	7,182	New Lease	Germantown Park	Northeast
ServisFirst Bank	5,005	Renewal	Hobson Building	East

Source: CBRE Research, Q1 2026

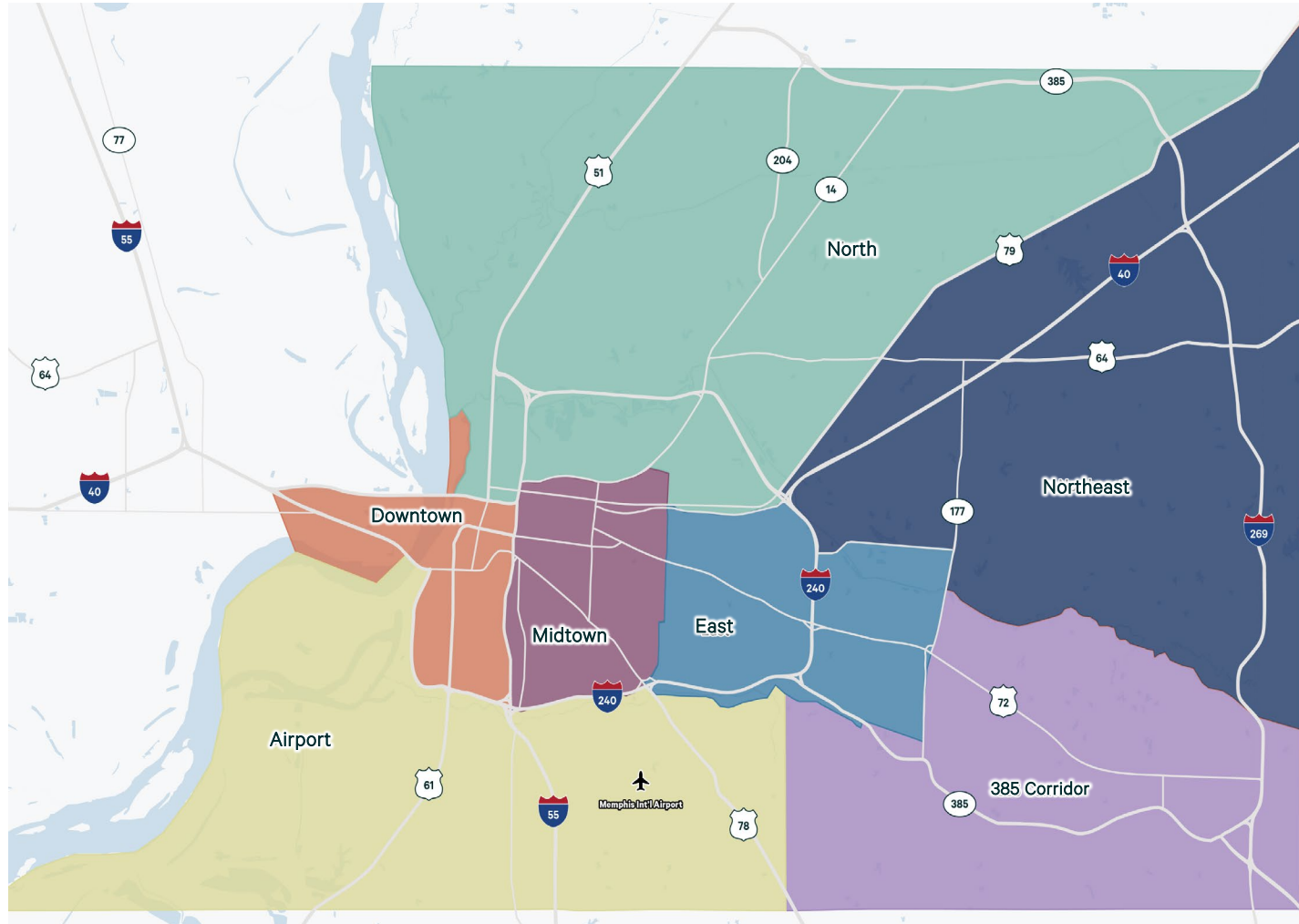
Market Statistics by Submarket

Figure 6

Submarket	Class	Building SF	Direct Vacancy (%)	Avg Asking Lease Rate (\$)	Construction Deliveries (SF)	Q1 Net Absorption (SF)	YTD Net Absorption (SF)
East (CBD)		8,515,243	16.9	24.06	0	-15,629	-15,629
	Class A	3,192,895	13.4	31.08	0	-9,292	-9,292
	Class B	5,322,348	18.0	21.47	0	-6,337	-6,337
Downtown		3,337,155	8.9	20.92	0	-5,311	-5,311
	Class A	1,675,449	11.9	21.25	0	3,552	3,552
	Class B	1,661,706	5.8	20.22	0	-8,863	-8,863
385 Corridor		4,294,193	16.7	19.58	0	-41,802	-41,802
	Class A	3,274,073	18.5	19.64	0	26,772	26,772
	Class B	1,020,120	10.9	18.67	0	-68,574	-68,574
Midtown		1,244,634	10.8	18.06	0	-3,246	-3,246
	Class A	620,000	0.3	22.00	0	0	0
	Class B	624,634	21.1	16.82	0	-3,246	-3,246
Northeast		2,161,189	16.5	19.08	0	-23,412	-23,412
	Class A	679,856	18.6	20.09	0	0	0
	Class B	1,481,333	15.5	18.00	0	-23,412	-23,412
Airport		3,254,132	23.4	17.63	0	0	0
	Class A	0	0.0	0.00	0	0	0
	Class B	3,254,132	23.4	17.63	0	0	0
North		727,775	0.6	15.65	0	1,712	1,712
	Class A	0	0.0	0.00	0	0	0
	Class B	727,775	0.7	15.65	0	1,712	1,712
Memphis Total		23,534,321	15.7	20.84	0	-87,688	-87,688
	Class A	9,442,273	14.4	22.65	0	21,032	21,032
	Class B	14,092,048	16.3	19.56	0	-108,720	-108,720

Source: CBRE Research, Q1 2026

Market Area Overview



Survey Criteria

The CBRE, Inc. Office Figures report provides statistics based on a revised set of inventory consisting of office properties in the following submarkets: Airport, Downtown, East, 385 Corridor, Midtown, North and Northeast. All properties are Class A or B, are greater than 10,000 sq. ft. and are not owner occupied. Properties used primarily for medical and government purposes have been removed from the data set. Historical data is reflective of the current set of inventory rather than previously published report figures and is subject to revision as additional information becomes available.

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