

FIGURES | MEMPHIS OFFICE | Q1 2025

# Class A properties capture tenant demand to begin the year



Note: Arrows indicate change from previous quarter.

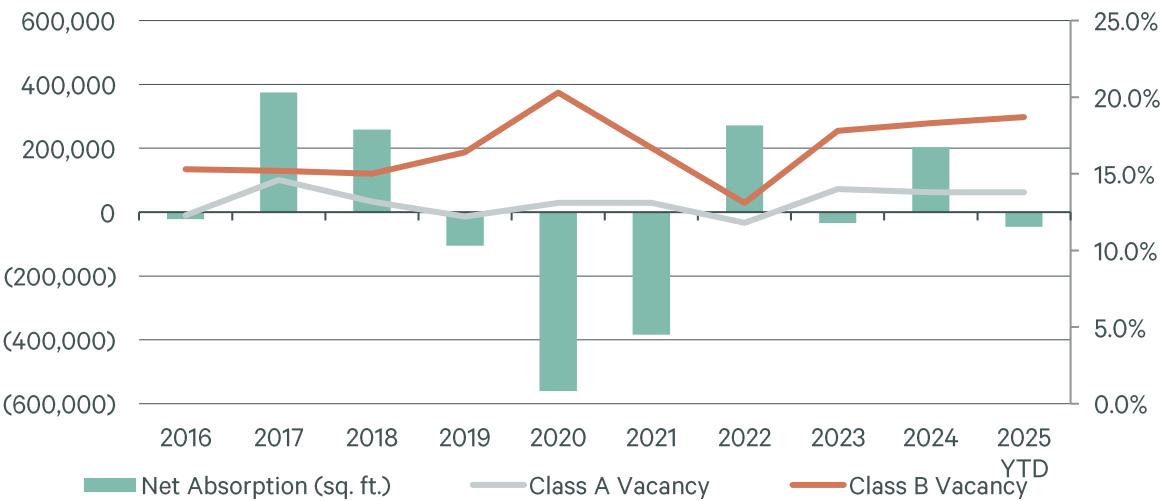
Key Takeaways

- The Memphis office market recorded -45,910 square feet of negative absorption to begin the year, driven by vacancies at Class B properties.
- The Class A average asking rental rate increased to \$24.78 per square foot, a 427-basis point increase year-over-year.
- The sublease availability rate of 1.9% remains low compared to other markets throughout the Southeast United States.

The Memphis office market recorded -45,910 square feet of negative absorption in the first quarter of 2025. A few tenants downsizing their office footprints contributed to the occupancy losses experienced in the first quarter. The occupancy losses were attributed to Class B properties, which had -68,334 square feet of negative absorption, pushing the vacancy rate up to 18.3%. Due to the strong demand among Class A properties, the average asking rental rate trended upward to \$24.78 per square foot, a \$1.55 per square foot increase year-over-year. Conversely, the Class B average asking rental rate remained relatively flat over the same period, as tenants favor location and the flight to quality.



FIGURE 1: Historical Absorption and Vacancy



Source: CBRE Research, Q1 2025

MARKET TRENDS

East Memphis Class A properties have benefitted the most from current office market trends, resulting in higher levels of occupancy. With only 5 properties having a contiguous availability of 10,000 square feet or larger, the Memphis office market is in a pivotal position for large occupiers. Due to the limited options, tenant demand could begin to trickle down to class B properties and outlying building parks. However, this trend was not felt in 2024, as tenants favored renewing in place. The sublease availability rate decreased 30 basis points year-over-year to 1.9%, remaining well below the national average of 3.9%. The East submarket could have additional space come online in the form of sublease availability, with a few occupiers having large blocks of underutilized space.

MARKET OUTLOOK

Due to pressure on corporate leaders to measure and deliver effective workplaces to boost office attendance, Class A properties should remain highly occupied in the coming years. Furthermore, there are no new office buildings under construction in the market, which will put further downward pressure on the vacancy rate, as tenants have fewer options for quality space. Oversupply in outlying submarkets could lead to landlords offering lower rent and higher incentives to draw users away from the core submarkets. However, macro-economic uncertainties paired with softer economic data could lead to firms taking a ‘wait-and-see’ approach, as they digest recent changes in global trade policies.

FIGURE 2: Key Leasing Transactions

| Tenant                   | Location              | Size (sq. ft.) | Submarket    | Transaction Type |
|--------------------------|-----------------------|----------------|--------------|------------------|
| BlueOval SK              | 5640 Airline Road     | 42,910         | Northeast    | Renewal          |
| Mass Mutual              | 5100 Poplar Avenue    | 14,486         | East         | Renewal          |
| The Collective Blueprint | 1350 Concourse Avenue | 10,630         | Midtown      | Sublease         |
| John E. Chester          | 1355 Lynnfield Road   | 10,111         | East         | Renewal          |
| FCC MSO                  | 8295 Tournament Road  | 8,315          | 385 Corridor | New Lease        |

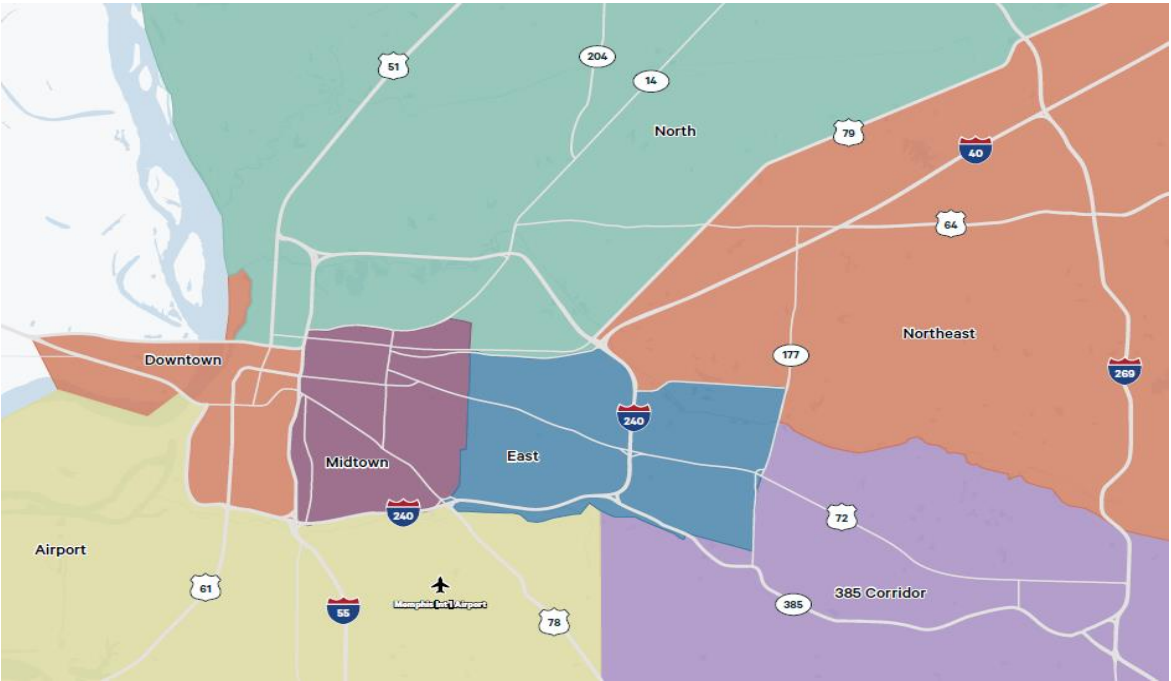
Source: CBRE Research, Q1 2025

FIGURE 3: Market Statistics

| Submarket     | Class   | Building SF | Direct Vacancy (%) | Avg Asking Lease Rate (\$) | Quarterly Change in Asking Rate | Construction Deliveries (SF) | Q1 2025 Net Absorption (SF) | YTD Net Absorption (SF) |
|---------------|---------|-------------|--------------------|----------------------------|---------------------------------|------------------------------|-----------------------------|-------------------------|
| East (CBD)    |         | 8,982,213   | 12.4               | 22.62                      | ▲                               | 0                            | 14,681                      | 14,681                  |
|               | Class A | 3,192,895   | 10.6               | 32.41                      | ▼                               | 0                            | 25,440                      | 25,440                  |
|               | Class B | 5,789,318   | 15.0               | 20.52                      | ▲                               | 0                            | -10,759                     | -10,759                 |
| Downtown      |         | 3,501,135   | 15.8               | 20.79                      | ▲                               | 0                            | -3,292                      | -3,292                  |
|               | Class A | 1,653,742   | 24.3               | 21.80                      | ▼                               | 0                            | -3,292                      | -3,292                  |
|               | Class B | 1,847,393   | 6.7                | 18.54                      | ▲                               | 0                            | 0                           | 0                       |
| 385 Corridor  |         | 3,351,564   | 20.0               | 19.03                      | ▲                               | 0                            | -34,491                     | -34,491                 |
|               | Class A | 2,257,987   | 22.9               | 21.00                      | ▲                               | 0                            | 0                           | 0                       |
|               | Class B | 1,093,577   | 19.6               | 18.37                      | ▲                               | 0                            | -34,491                     | -34,491                 |
| Midtown       |         | 1,526,804   | 14.1               | 14.95                      | ▲                               | 0                            | 1,101                       | 1,101                   |
|               | Class A | 620,000     | 0.0                | 0.00                       | ▬                               | 0                            | 0                           | 0                       |
|               | Class B | 906,804     | 14.9               | 14.95                      | ▲                               | 0                            | 1,101                       | 1,101                   |
| Northeast     |         | 2,206,142   | 25.2               | 19.43                      | ▲                               | 0                            | -20,984                     | -20,984                 |
|               | Class A | 679,856     | 19.1               | 21.00                      | ▬                               | 0                            | 0                           | 0                       |
|               | Class B | 1,526,286   | 29.1               | 19.29                      | ▲                               | 0                            | -20,984                     | -20,984                 |
| Airport       |         | 2,877,696   | 17.9               | 15.37                      | ▼                               | 0                            | -2,925                      | -2,925                  |
|               | Class A | 0           | 0.0                | 0.00                       | ▬                               | 0                            | 0                           | 0                       |
|               | Class B | 2,877,696   | 17.9               | 15.37                      | ▼                               | 0                            | -2,925                      | -2,925                  |
| North         |         | 727,775     | 3.8                | 12.50                      | ▬                               | 0                            | 0                           | 0                       |
|               | Class A | 0           | 0.0                | 0.00                       | ▬                               | 0                            | 0                           | 0                       |
|               | Class B | 727,775     | 3.8                | 12.50                      | ▬                               | 0                            | 0                           | 0                       |
| Memphis Total |         | 23,173,329  | 16.5               | 19.84                      | ▲                               | 0                            | -45,910                     | -45,910                 |
|               | Class A | 8,404,480   | 13.8               | 24.78                      | ▲                               | 0                            | 22,148                      | 22,148                  |
|               | Class B | 14,768,849  | 18.7               | 18.42                      | ▲                               | 0                            | -68,058                     | -68,058                 |

Source: CBRE Research, Q1 2025

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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