



*Think Memphis. Think Apartments.  
Hot Growth for a Cool City.*

## Why Invest In Memphis?

For those that invest in multifamily real estate and study the economics of market timing, Memphis might deserve a closer look. Memphis seems to be exhibiting some, if not all, of the characteristics that suggest now is the time to invest in Memphis. Consider these characteristics:

Prices are low and properties cash flow. Rents have been relatively flat during the past 4 years and yet have great potential for appreciation. Numerous studies and articles based on the income level of the population versus the price of real estate indicate that Memphis may be as much as 15-20 percent undervalued.

New apartment construction is down to almost historic levels with less than 700 conventional new construction units expected for 2006. A limited supply of available units are being taken off of the market by the city, state and federal governments working together to demolish the old government housing projects of the past that crammed hundreds and sometimes thousands of residents together in close quarters. After the demolition of the public housing, the rental units are being rebuilt in a more neighborhood friendly manner with mixed-use development and greatly reduced density.

New job growth is consistent and gaining steam as Memphis is seeing a new 1.2 million-square-foot Biomedical Park begin its 10-year growth plan that could create as many as 9,000 new direct and ancillary jobs. This high growth Medical Center area is the home of the University of Tennessee Health Science Center and is experiencing several hospital expansions including the world-renowned St. Jude Children's Research Hospital. St. Jude is under construction on plant and facility expansions that could bring in as many as 2,000 new jobs with 807 of those new jobs coming the end of 2006 or early 2007. A new Cancer Clinic is under construction nearby that will bring an announced 400 new jobs as well. Memphis is already the second largest producer and manufacturer of medical orthopedic devices in the U.S., so the infrastructure for medical research and manufacturing is already in place for this new biomedical industry to flourish.

The government is pro-growth and is supporting tax incentives for any company that will create new jobs to relocate in the Memphis area and the incentives extend to existing companies to grow through real estate property tax benefits and employer benefits. Memphis is also located in a state with no income tax and that can offer a huge benefit to many high-income investors.

Another obvious characteristic of why now may be the time to invest in Memphis is to understand the huge disparity in recent sales of Class A properties versus the bread and butter C grade properties. The difference in pricing can be as much as \$90,000 per unit, which may suggest that there is more growth in the pricing of the C grade assets in particular.

At the core of any city's growth and future is the Downtown area. Memphis' Downtown was built on the high bluffs of the Mississippi River and offers a panoramic view of the mighty Mississippi and more than \$2 billion in new construction and investment. Driving through the once abandoned warehouse areas, one is more likely to run into new condominium and housing developments which are setting record levels of new growth for the Downtown area. The new \$250 Million FedExForum now houses the NBA's newest star, the Memphis Grizzlies, and the University of Memphis' Tigers.

While Downtown is booming, Memphis has not forgotten the importance of keeping affordable housing for its residents and addressing substandard housing. Uptown Memphis addresses that issue and all of the public housing that is being demolished and rebuilt with smaller density, affordable, yet upscale communities. Uptown Memphis is a 100-city block neighborhood revitalization that will keep the engine of prosperity running on the city streets.

In summary, Memphis has historically been a friendly yet strong city, and is showing signs of some expansionary growth with the current Medical Center area expanding and the new Biomedical Park. Memphis is also world-renowned as a distribution and logistics center with the FedEx Hub and expanding railroad and interstate infrastructure that continues to lure the automotive manufacturers into this region. Memphis has experienced recent growth and revitalization with the billions of dollars of capital investments in Downtown, and expects to see even more success with the current developments in the new Biomedical Park as well as the growing demand for delivery of goods and services while serving as North America's distribution center.

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