

7.0%

Vacancy Rate

YoY Chg



12-Mo. Forecast



1.4M

Net Absorption, SF



\$4.19

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2024

656K

Memphis Non-Farm Employment

YoY Chg



12-Mo. Forecast



3.3%

Memphis Unemployment Rate



4.0%

U.S. Unemployment Rate



Source: BLS

ECONOMY

Per the Bureau of Labor Statistics, the Memphis unemployment rate hit 3.3% in April. This was the lowest figure since April of 2023, which was in turn the lowest month in well over a decade and lower than both the national and regional unemployment rate. Per the Bureau of Economic Analysis, real gross domestic product (GDP) increased at an annual rate of 1.3% in the first quarter of 2023. While growth, this is a significant slow down from the fourth quarter of 2023 and a continued moderation from previous quarters. Per Deloitte's economic forecast, growth in the US economy continues to come in above expectations, despite elevated interest rates, weakness in other major economies, and the drawdown of excess savings. Deloitte's position is that it is looking increasingly as though policymakers have managed to avoid a recession, while bringing down inflation closer to the 2% target. The International Monetary Fund predicts that, in aggregate, this steady growth and a slow but general decline in inflation will continue globally through 2025.

DEMAND

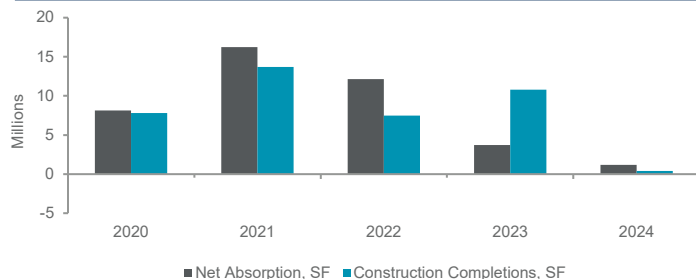
The Memphis industrial market has reawakened in the second quarter after slumbering through 2023 and Q1 2024. The Q2 absorption total of 1.4 million square feet (msf) is the highest since Q1 2023 (almost exceeding the prior four quarters combined), and this positive momentum should carry over into the second half of 2024. The DeSoto County submarket is powering this absorption, with over 1.0 MSF in the second quarter.

Through Q2, there has been 4.3 msf of new Class A leasing, with another 4+ msf of 'real' deals in the final stages. There was only 5.1 msf of new Class A leasing in all of 2023. If the current trends hold, we could see the second-best new Class A leasing year ever. This stronger demand is particularly noticeable above 500,000 – where demand has been particularly weak for the last 12-24 months – this trend is important, as bulk space is the cornerstone of the Memphis industrial market.

Amazon's national leasing resurgence is believed to have reached Memphis – a positive development that hopefully portends additional space take up.

Additionally, Elon Musk announced the world's largest supercomputer will be built in Memphis to power his xAI platform. Termed the 'gigafactory of supercomputer', we understand this computer will be as strong as the two most powerful supercomputers in the world, multiplied by four. Expected to be housed in the 785,000 square feet (sf) former Electrolux manufacturing plant; this project represents the single largest private investment ever by a new-to-Memphis company. We expect to see more capital investment in the market based on this announcement.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SUPPLY:

The supply narrative remains mostly unchanged from Q1 2024, as no new speculative construction is planned anytime soon, and users still have a variety of space options across all geographies and size ranges.

On a positive note, there have not been any sizeable give-back announcements recently, and those that have been announced have pending transactions in place to immediately backfill.

Additionally, the uptick in leasing activity means the market is starting to work through the supply that is available. The end of Q1 2024 saw 21.7 msf of available Class A space across 54 vacancies, and now at the end of Q2 2024 there is 19.2 msf available across 48 vacancies, with deals pending for over 15% of that space.

The Memphis market is on track for tightening supply into 2025, though how tight remains to be seen. The uptick in bulk demand has been encouraging, but there is still ample supply above 500,000 sf to work through.

PRICING:

Memphis’ pricing narrative remains similar to Q1 2024, as developers and landlords have, for the most part, held firm on rates.

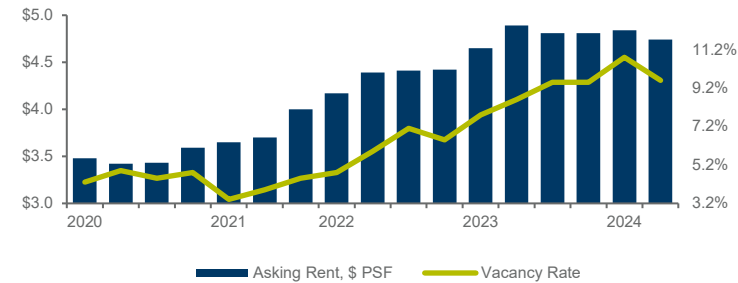
Increased occupier specificity – in the form of higher power needs, automation, more office buildout, HVAC, etc. – has also helped keep rents high, as landlords offer more tenant improvement funds to attract and retain these users.

There is still enough supply to keep a governor on pricing for likely the remainder of 2024, although we expect rates to rise where premises size or required specs leads to a smaller set of options.

OUTLOOK

- We expect the Q2 leasing momentum to continue into Q3 as the 4+ msf of ‘real’ deals in the market get inked, but acknowledge that some may scale down or push back given the climate of the past 24 months
- Supply will continue to be whittled down, though not enough to dramatically move the pricing needle
- Local and national press will hopefully continue to highlight the xAI investment in Memphis as the supercomputer facility comes online in the coming months

CLASS A OVERALL VACANCY & ASKING RENT



SOUTHEAST SUBMKT OVERALL VACANCY & ASKING RENT



MARKETBEAT MEMPHIS



Industrial Q2 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	QTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (OS)
Northeast	15,516,925	474,314	3.1%	12,433	98,502	-	-	\$6.03	\$5.60	\$10.07
Southeast	113,249,941	8,903,673	7.9%	-46,347	-132,607	-	-	\$5.12	\$3.91	\$5.43
Northwest	28,027,549	1,527,714	5.5%	231,964	225,764	-	-	\$2.27	\$3.44	\$8.28
Southwest	43,231,815	2,592,648	6.0%	30,112	171,299	-	-	\$3.92	\$4.02	\$8.55
DeSoto County	74,862,385	6,045,008	8.1%	1,167,463	1,083,455	-	-	\$4.37	\$4.23	\$8.48
Marshall & Fayette County	34,731,260	2,127,594	6.1%	-20,670	-20,670	-	-	\$5.21	\$4.09	\$8.31
MEMPHIS TOTALS	309,619,875	21,670,951	7.0%	1,374,955	1,425,743	-	-	\$4.27	\$4.06	\$8.03

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4300 E Holmes Road	Southeast	The Scotts Company LLC	861,840	New
685 Highway 72	Marshall	MCR Safety	460,000	Expansion
210 Del Stover Drive	Marshall	TK Elevator Corporation	338,580	New
4655 E Shelby Dr	Southeast	GP Midco, LLC	164,373	New

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE/\$ PSF
4553 Cayce Rd	Marshall	Apollo Global Management / H&M	707,940	\$58M / \$82.00
4690 Hungerford Rd	Southeast	Southwood Dev. / Lincolnshire Mgmt	147,042	\$5M / \$34.00

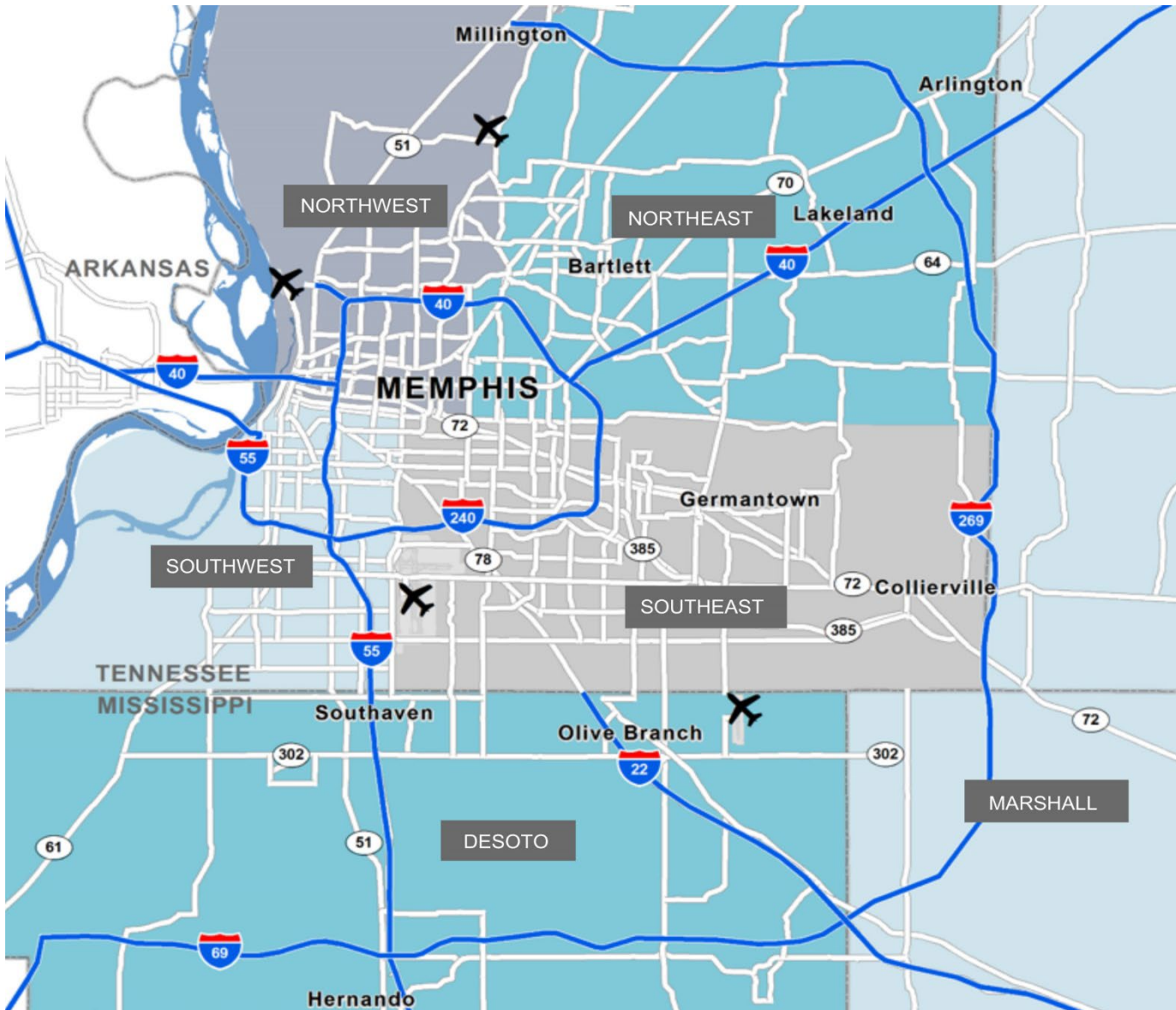
MARKETBEAT MEMPHIS

Industrial Q2 2024



INDUSTRIAL SUBMARKETS

Memphis, TN



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