Memphis

Total vacancy remains at record low as demand outpaces supply for second consecutive year

- Despite 8.8 million s.f. of completions, total vacancy dropped 100 basis points year-over-year to a year-end record low of 5.7%
- Three first-generation warehouses totaling 2.3 million s.f. were occupied in Q4, increasing annual net absorption to 10.1 million s.f.
- Although groundbreakings slowed in Q4, forecasted demand and multi-sector momentum suggest another strong year is ahead

Fundamentals		Forecast
YTD net absorption	10,130,394 s.f.	▲
Under construction	7,797,719 s.f.	▶
Total vacancy	5.7%	▼
Sublease vacancy	812,204 s.f.	▶
Direct asking rent	$4.72 p.s.f.	▲
Sublease asking rent	$4.36 p.s.f.	▶
Concessions	Stable	▶

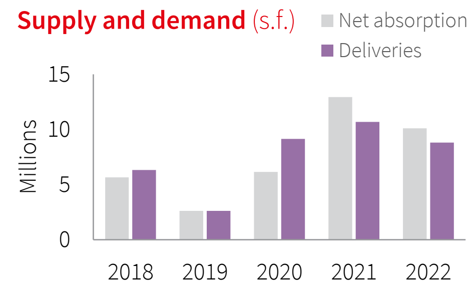
For a second consecutive year, warehouse demand outpaced new supply across the Memphis industrial market. In 2021, it was a record-setting year with both completions and absorption topping 14 million s.f. A similar story played out in 2022 with leasing activity in Q4 aiding the bump in annual net absorption. Three significant new warehouses were occupied in the Desoto County submarket of northern Mississippi. Associated Wholesale Grocers (1 million s.f.), Saks Fifth Ave (863,000 s.f.), and Wheeler Fleet Solutions (449,000 s.f.) are among the bulk users that moved into new product within the submarket. This activity played a major role in boosting net absorption to over 10 million s.f. for the year, a 1.3-million-s.f. advantage compared to annual completions.

The 8.8 million s.f. of completions in 2022 marks the third highest annual total in market history. Although 75% of completions were speculative construction, robust leasing activity slashed total vacancy to a year-end record low of 5.7%. Falling vacancy and the level of new construction are directly impacting asking rates. Direct average asking rents increased to $4.72 p.s.f., a 20% increase year-over-year and a 34% increase since 2020. Yet, despite the significant increase, the Memphis industrial market remains one of the more affordable markets in the country.

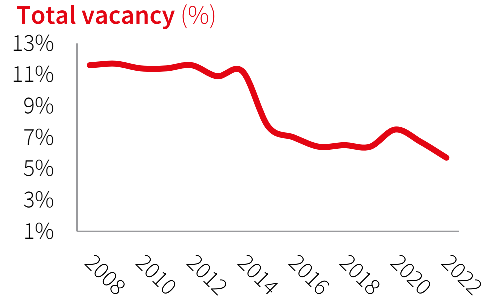
Outlook

Nearly 8 million s.f. is currently under construction, most of which is scheduled to deliver in 2023. However, groundbreakings slowed in Q4 and this is expected to continue through the first half of the year. Forecasted demand may lead to another drop in total vacancy by the end of 2023, resulting in an environment where demand continues to outpace supply. If this trend carries on through the next 12 months, and more groundbreakings are stalled, the market is likely to experience a more significant shortage of warehouse supply in 2024. Demand drivers are spread across numerous industries including logistics, energy, and manufacturing, which indicates the leasing environment may become even more competitive in the months ahead.

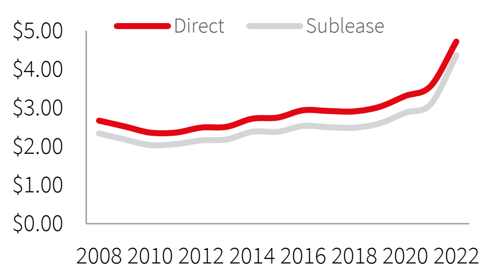
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



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JLL Research Report

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent ($ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Memphis total										
Flex/R&D	0	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Warehouse & Distribution	239,899,838	2,717,893	9,466,360	3.9%	6.3%	10.7%	$4.07	4,486,811	8,821,861	7,797,719
Manufacturing	10,906,566	0	0	0.0%	0.0%	0.6%	$0.00	0	0	0
Overall Total	**250,806,404**	**2,717,893**	**9,466,360**	**3.8%**	**6.0%**	**10.3%**	**$4.07**	**4,486,811**	**8,821,861**	**7,797,719**
Crittenden County Ind										
Warehouse & Distribution	600,000	0	0	0.0%	100.0%	100.0%	$4.25	0	0	0
Overall Total	**600,000**	**0**	**0**	**0.0%**	**100.0%**	**100.0%**	**$4.25**	**0**	**0**	**0**
DeSoto Ind										
Warehouse & Distribution	68,008,768	2,599,805	6,197,454	9.1%	7.0%	12.0%	$4.02	1,479,636	4,568,246	2,492,569
Manufacturing	1,205,259	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Overall Total	**69,214,027**	**2,599,805**	**6,197,454**	**9.0%**	**6.9%**	**11.8%**	**$4.02**	**1,479,636**	**4,568,246**	**2,492,569**
Fayette County Ind										
Warehouse & Distribution	4,492,040	0	0	0.0%	0.0%	0.0%	$0.00	0	0	2,000,000
Manufacturing	1,202,709	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Overall Total	**5,694,749**	**0**	**0**	**0.0%**	**0.0%**	**0.0%**	**$0.00**	**0**	**0**	**2,000,000**
Marshall County Ind										
Warehouse & Distribution	16,003,259	-554,040	-214,534	-1.3%	15.4%	29.9%	$4.50	1,508,335	2,465,735	2,514,510
Manufacturing	906,705	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Overall Total	**16,909,964**	**-554,040**	**-214,534**	**-1.3%**	**14.6%**	**28.5%**	**$4.50**	**1,508,335**	**2,465,735**	**2,514,510**
Northeast Ind										
Flex/R&D	0	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Warehouse & Distribution	10,917,406	-4,084	-116,634	-1.1%	1.9%	4.0%	$5.39	0	0	0
Manufacturing	37,248	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Overall Total	**10,954,654**	**-4,084**	**-116,634**	**-1.1%**	**1.9%**	**3.9%**	**$5.39**	**0**	**0**	**0**
Northwest Ind										
Warehouse & Distribution	17,961,488	-420,034	689,300	3.8%	4.9%	6.0%	$2.57	0	181,500	0
Manufacturing	1,659,481	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Overall Total	**19,620,969**	**-420,034**	**689,300**	**3.5%**	**4.4%**	**5.5%**	**$2.57**	**0**	**181,500**	**0**
Southeast Ind										
Warehouse & Distribution	90,964,821	678,443	2,407,132	2.6%	5.4%	9.0%	$3.98	1,498,840	1,606,380	790,640
Manufacturing	3,524,322	0	0	0.0%	0.0%	0.0%	$0.00	0	0	0
Overall Total	**94,489,143**	**678,443**	**2,407,132**	**2.5%**	**5.2%**	**8.7%**	**$3.98**	**1,498,840**	**1,606,380**	**790,640**
Southwest Ind										
Warehouse & Distribution	30,825,471	417,803	503,642	1.6%	3.7%	6.6%	$3.19	0	0	0
Manufacturing	2,370,842	0	0	0.0%	0.0%	3.0%	$0.00	0	0	0
Overall Total	**33,196,313**	**417,803**	**503,642**	**1.5%**	**3.4%**	**6.3%**	**$3.19**	**0**	**0**	**0**
Tipton County Ind										
Warehouse & Distribution	126,585	0	0	0.0%	100.0%	100.0%	$0.00	0	0	0
Overall Total	**126,585**	**0**	**0**	**0.0%**	**100.0%**	**100.0%**	**$0.00**	**0**	**0**	**0**