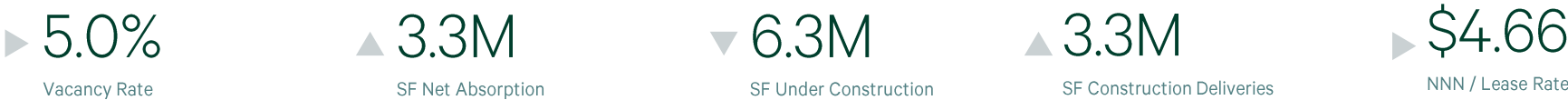


The Memphis industrial market eases into 2023 with economic challenges on the horizon.



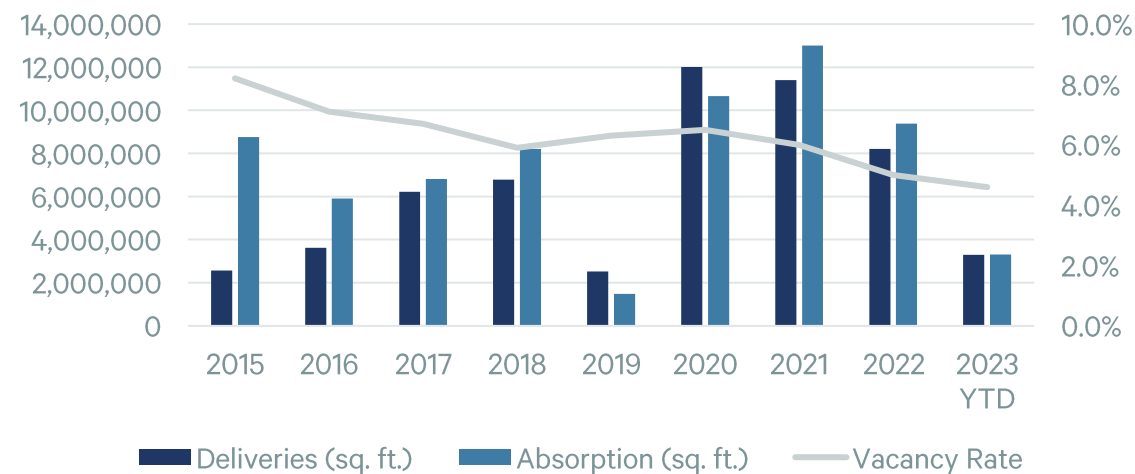
Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- In Q1 2023, the Memphis industrial market recorded four building deliveries totaling 3,298,087 square feet, which were 100% leased upon completion.
- The vacancy and average asking rental rates remained flat quarter-over-quarter, as tenants and landlords await more certainty in the market.
- Strong industrial fundamentals should protect against volatility created by economic uncertainty.

The Memphis Industrial market recorded four buildings delivering in Q1 2023, totaling 3,298,087 square feet. All four of the buildings were 100% preleased upon delivery, helping drive net absorption to 3,308,993 square feet across the market. This positive absorption was largely due to Helen of Troy occupying 2,000,000 square feet at the Winstead Trade Center in Fayette County. With no new construction ground breaks to offset deliveries, this continues to put downward pressure on the construction pipeline, as the total under construction stock fell by 34.4% quarter-over-quarter to 6,287,508 square feet. With a shrinking construction pipeline, demand for Class A spec properties should remain elevated, as availability remains limited. However, with some anticipated tenant vacancies on the horizon, the Memphis industrial market is expected to see an uptick in availability, which will help relieve supply constraints perpetuated by a lack of new construction.

FIGURE 1: Deliveries, Absorption & Vacancy Rate



Source: CBRE Research, Q1 2023

FIGURE 2: Market Statistics

Desoto County										Southeast									
Submarket	Building SF	Direct Vacancy (%)	Total Vacancy (%)	Avg Asking Lease Rate (\$)	Under Construction	Q1 2023 Net Absorption (SF)	YTD 2023 Net Absorption (SF)	Availability Rate (%)		Submarket	Building SF	Direct Vacancy (%)	Total Vacancy (%)	Avg Asking Lease Rate (\$)	Under Construction	Q1 2023 Net Absorption (SF)	YTD 2023 Net Absorption (SF)	Availability Rate (%)	
	70,082,447	6.8	6.8	\$ 4.70	2,745,840	1,071,747	1,071,747	7.5			107,084,403	3.9	5.1	\$ 4.65	1,648,640	(40,372)	(40,372)	7.2	
Bulk Warehouse	61,616,942	6.8	6.8	\$ 4.61	2,745,840	1,071,747	1,071,747	7.5		Bulk Warehouse	68,714,914	4.0	4.4	\$ 4.72	1,648,640	25,335	25,335	6.9	
Standard Distribution	7,999,367	4.6	4.6	\$ 5.96	0	0	0	4.6		Standard Distribution	35,211,792	3.3	3.8	\$ 4.75	0	(66,832)	(66,832)	6.8	
Service Center	466,138	0.0	0.0	\$ -	0	0	0	0.0		Service Center	3,157,697	8.4	8.6	\$ 6.74	0	1,125	1,125	10.3	
Fayette County										Northwest									
	8,671,265	0.0	0.0	\$ -	0	2,000,000	2,000,000	0			29,421,786	3.5	3.5	\$ 2.63	0	0	0	3.8	
Bulk Warehouse	7,107,618	0.0	0.0	\$ -	0	2,000,000	2,000,000	0		Bulk Warehouse	18,208,419	3.4	3.4	\$ 2.00	0	0	0	3.4	
Standard Distribution	1,536,647	0.0	0.0	\$ -	0	0	0	0		Standard Distribution	10,644,371	4.1	4.1	\$ 3.11	0	0	0	6.3	
Service Center	27,000	0.0	0.0	\$ -	0	0	0	0		Service Center	568,996	2.5	2.5	\$ 7.00	0	0	0	2.5	
Marshall County										Southwest									
	20,880,222	11.7	12.9	\$ 4.49	1,893,028	0	0	12.9			45,993,995	2.4	2.6	\$ 3.55	0	207,788	207,788	3.7	
Bulk Warehouse	19,916,784	12.2	13.4	\$ 4.49	1,893,028	0	0	13.4		Bulk Warehouse	16,258,206	2.3	2.3	\$ 3.00	0	108,500	108,500	2.6	
Standard Distribution	900,432	0.0	0.0	\$ -	0	0	0	0.0		Standard Distribution	27,945,312	2.0	2.5	\$ 3.75	0	100,745	100,745	4.3	
Service Center	63,006	0.0	0.0	\$ -	0	0	0	0.0		Service Center	1,790,477	7.8	7.8	\$ 5.52	0	(1,457)	(1,457)	7.8	
Northeast										Memphis MSA									
	15,405,391	2.1	4.7	\$ 8.14	0	69,830	69,830	5.5			297,539,509	4.7	5.0	\$ 4.66	6,287,508	3,308,993	3,308,993	6.5	
Bulk Warehouse	3,876,616	0.4	0.9	\$ 9.00	0	0	0	0.9		Bulk Warehouse	195,699,499	5.0	5.3	\$ 4.49	6,287,508	3,205,582	3,205,582	6.6	
Standard Distribution	8,444,494	2.6	4.7	\$ 7.16	0	140,700	140,700	7.3		Standard Distribution	92,682,415	2.5	3.1	\$ 5.48	0	174,613	174,613	5.6	
Service Center	3,084,281	9.9	9.9	\$ 10.77	0	(70,870)	(70,870)	10.7		Service Center	9,157,595	10.5	10.5	\$ 8.34	0	(71,202)	(71,202)	11.1	

Source: CBRE Research, Q1 2023

Q1 2023 Highlights

With economic headwinds growing, tenants are slow to evaluate their space needs in hopes to gain additional negotiating power. As a result, the average asking rate remained stagnant quarter-over-quarter at \$4.66 per square foot NNN. On the contrary, tenants that renewed in Q1 experienced a 52% increase in rental rates, on average, from the amount that they were paying prior to renewal. The market wide vacancy rate remained unchanged quarter-over-quarter at 5.0%. However, a strong pipeline of active tenant requirements should help with market stability despite economic challenges. The increase in onshore manufacturing requirements led by auto manufacturers, particularly electrical vehicle manufacturers, is boding well for Memphis, positioning the market as an ideal location due to the city’s unparalleled distribution and logistical capabilities.

Consequences of the Federal Reserve’s tightening policy are surfacing and producing slower growth. Capital markets and developments starts have fallen dramatically as the cost of capital has increased. Additionally, trouble in the banking sector will weigh on consumers and businesses, alike, as banks limit lending to increase their own liquidity. The Memphis Industrial market could experience less volatility due to stronger market fundamentals, including a strong labor market, diversifying industry sectors, and a healthy pipeline of occupier requirements that will provide growth to the region as economic conditions stabilize. As inflation continues to slowdown, the Fed could begin easing monetary policy, providing additional clarity to the commercial real estate sector.

FIGURE 3: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Barrett Distribution	129 Commerce Parkway	957,400	Marshall Cty	New Lease
Fiskars	330 Stateline Road	910,000	DeSoto Cty	Renewal/Expansion
Bryce Corporation	5405 Hickory Hill	338,000	Southeast	Renewal
Gardner, Inc.	7111 Woods Blvd	252,399	DeSoto Cty	New Lease
River Horse Logistics	8955 Hacks Cross Road	204,570	DeSoto Cty	New Lease

Source: CBRE Research, Q1 2023

FIGURE 4: Average Asking Rates (\$/sq. ft.)

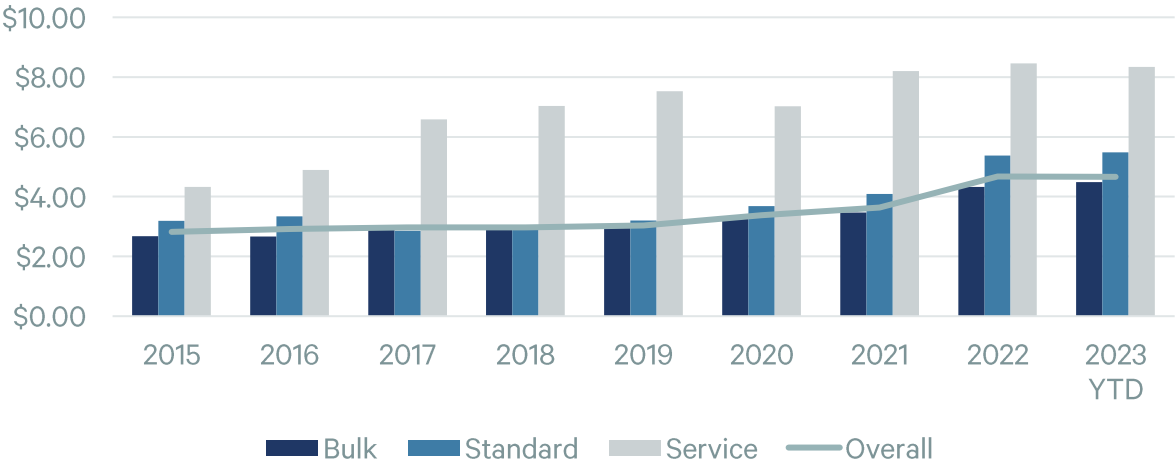
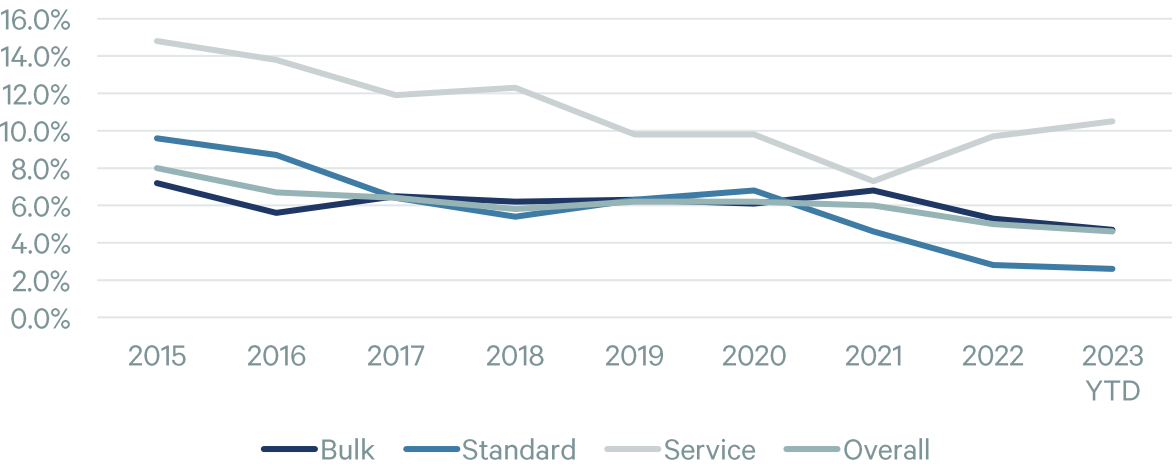


FIGURE 4: Direct Vacancy Rate



Market Area Overview



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