Industrial leasing activity picks up as renewals dominate the quarter

7.7%
Direct Vacancy Rate

442,443
SF Net Absorption

2.9M
SF Under Construction

0
SF Construction Deliveries

$4.60
NNN / Lease Rate

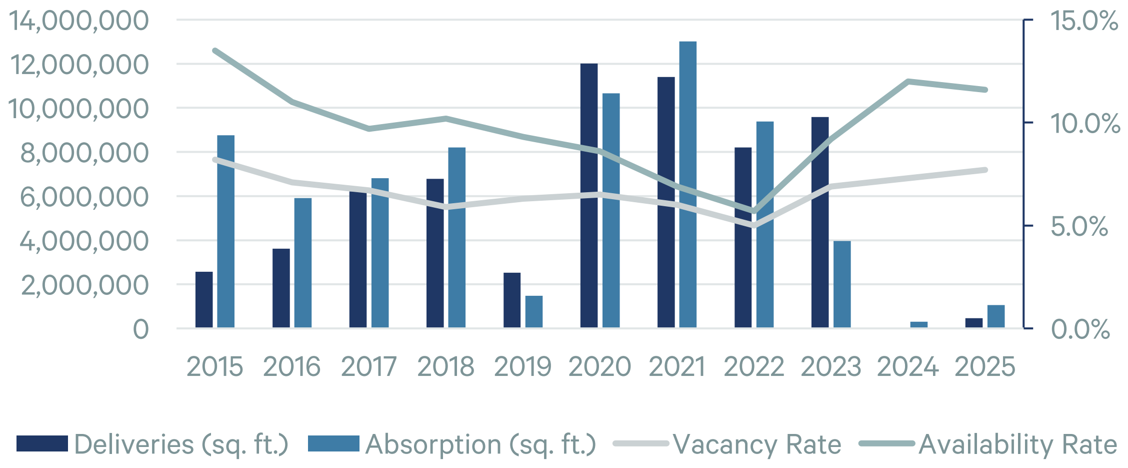
Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Net absorption remained positive in the second quarter, recording 442,443 square feet, and bringing the year-to-date level to just over the 1-million sq. ft. mark.
- The direct vacancy rate showed no significant change this quarter. Overall availability was steady as well in spite of a couple of larger deals signed above 500K square feet.
- The average asking rental rate increased slightly to $4.60/NNN per sq. ft. in Q2.

Although down from the previous quarter, positive absorption in Memphis' industrial market continued in Q2 with occupancy gains totaling just over 440,000 square feet. Like last quarter, this amount could have been larger were it not for a couple of sizeable vacancies which curtailed the larger occupancies in the quarter. As a result of this balance, both vacancy and availability remained steady. Even so, leasing activity was stronger this quarter, dominated by renewals which accounted for 65% of the square feet signed. A couple of new deals above 500,000 sq. ft. were a welcome sign given it has been over year since the market had new activity of this size. In total, over 6.5-million sq. ft. of leasing took place in the second quarter. The average rental rate increased slightly over the previous quarter to $4.60/NNN per sq. ft. but remains down year-over-year, abeit by a small amount.

FIGURE 1: Deliveries, Absorption & Vacancy Rate



Source: CBRE Research, Q2 2025

FIGURE 2: Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Avg Asking Lease Rate ($)	Under Construction	Q2 2025 Net Absorption (SF)	YTD 2025 Net Absorption (SF)	Availability Rate (%)
Desoto County	75,904,637	10.1	$ 4.68	0	(575,636)	(124,410)	15.4
Bulk Warehouse	68,899,329	11.1	$ 4.41	0	(602,136)	(150,910)	16.5
Standard Distribution	6,665,965	0.1	$ 6.82	0	26,500	26,500	3.9
Service Center	339,343	0.0	$ 12.45	0	0	0	7.3
Fayette County	8,170,623	6.1	$ 6.00	0	0	460,000	6.1
Bulk Warehouse	6,927,411	7.2	$ -	0	0	460,000	7.2
Standard Distribution	1,205,712	0.0	$ 6.00	0	0	0	0.0
Service Center	37,500	0.0	$ -	0	0	0	0.0
Marshall County	21,967,744	14.1	$ 4.80	2,138,000	(69,353)	(69,353)	19.5
Bulk Warehouse	21,135,096	14.7	$ 4.66	2,000,000	(63,953)	(63,953)	19.9
Standard Distribution	769,642	0.0	$ 3.45	138,000	0	0	10.5
Service Center	63,006	8.6	$ 12.44	0	(5,400)	(5,400)	8.6
Northeast	14,819,780	2.7	$ 9.58	0	59,800	(15,650)	4.4
Bulk Warehouse	3,750,903	1.1	$ 7.57	0	0	0	1.1
Standard Distribution	8,176,900	3.1	$ 9.87	0	20,000	(29,250)	4.8
Service Center	2,891,977	3.5	$ 10.56	0	39,800	13,600	7.5

Submarket	Building SF	Direct Vacancy (%)	Avg Asking Lease Rate ($)	Under Construction	Q2 2025 Net Absorption (SF)	YTD 2025 Net Absorption (SF)	Availability Rate (%)
Southeast	110,131,962	8.2	$ 4.43	730,880	956,498	(182,623)	12.7
Bulk Warehouse	80,311,881	8.9	$ 4.18	200,880	828,400	(154,620)	13.3
Standard Distribution	26,862,495	6.0	$ 4.09	0	128,098	(50,374)	11.0
Service Center	2,957,586	7.1	$ 6.30	530,000	0	22,371	10.1
Northwest	28,914,212	4.3	$ 4.06	0	0	6,000	5.1
Bulk Warehouse	19,905,891	4.4	$ 3.72	0	0	0	5.4
Standard Distribution	8,489,325	4.1	$ 5.03	0	0	0	4.4
Service Center	518,996	1.7	$ 7.00	0	0	6,000	4.0
Southwest	45,943,599	3.5	$ 3.77	0	71,134	991,539	5.9
Bulk Warehouse	20,720,853	1.8	$ 2.25	0	71,134	1,441,472	3.4
Standard Distribution	23,691,745	4.8	$ 3.75	0	0	(449,933)	7.5
Service Center	1,531,001	6.6	$ 6.94	0	0	0	14.9
Memphis MSA	**305,852,557**	**7.7**	**$ 4.60**	**2,868,880**	**442,443**	**1,065,503**	**11.6**
Bulk Warehouse	**221,651,364**	**8.9**	**$ 4.33**	**2,200,880**	**33,445**	**1,331,989**	**12.9**
Standard Distribution	**75,861,784**	**4.4**	**$ 5.40**	**138,000**	**174,598**	**(503,057)**	**7.7**
Service Center	**8,339,409**	**5.1**	**$ 7.97**	**530,000**	**34,400**	**36,571**	**9.5**

Source: CBRE Research, Q2 2025

Q2 2025 Highlights

Even with the lighter absorption this quarter, leasing activity was the highest it has been since Q3 2024. The majority of the leases completed this quarter were tied to renewals, however, the amount of new leasing maintained at the same rate as it did in Q1. The two large deals signed by Life Science Logistics and an energy equipment manufacturer were two of the largest leases completed since May 2024. Year-to-date, occupancy gains total 1,065,503 sq. ft. This figure would be higher if not for large vacancies in both Q1 & Q2 to counter the larger move-ins. In the second quarter, Conair was the largest move-out, vacating 800,000 sq. ft. in the Desoto County submarket.

At the macro-level, policy announcements and the news cycle – not economic fundamentals – are driving sentiment. The second quarter began with the announcement of tariffs which subsequently escalated to lower growth expectations. Towards the end of the quarter, the trade war rhetoric has since subsided. As a result, commercial real estate markets are taking these changes in stride and looking more at the steady economic data. For Memphis, the uncertainty surrounding tariffs and consumer sentiment could negatively impact the market; however, the relatively low cost for industrial occupiers to house operations in a centralized distribution location continues to be a favorable attribute benefitting the market.

FIGURE 3: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Life Science Logistics	5200 Tradeport Drive	625,000	Southeast	New Lease
Siemens	101 Airport Industrial Drive	619,000	DeSoto County	Renewal
Confidential Tenant	6280 Interstate Drive	581,883	DeSoto County	New Lease
Solae Company	5605 Holmescrest Lane	413,000	Southeast	Renewal
Aluma Form	3755 Knight Arnold Rd.	211,650	Southeast	Renewal

Source: CBRE Research, Q2 2025

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

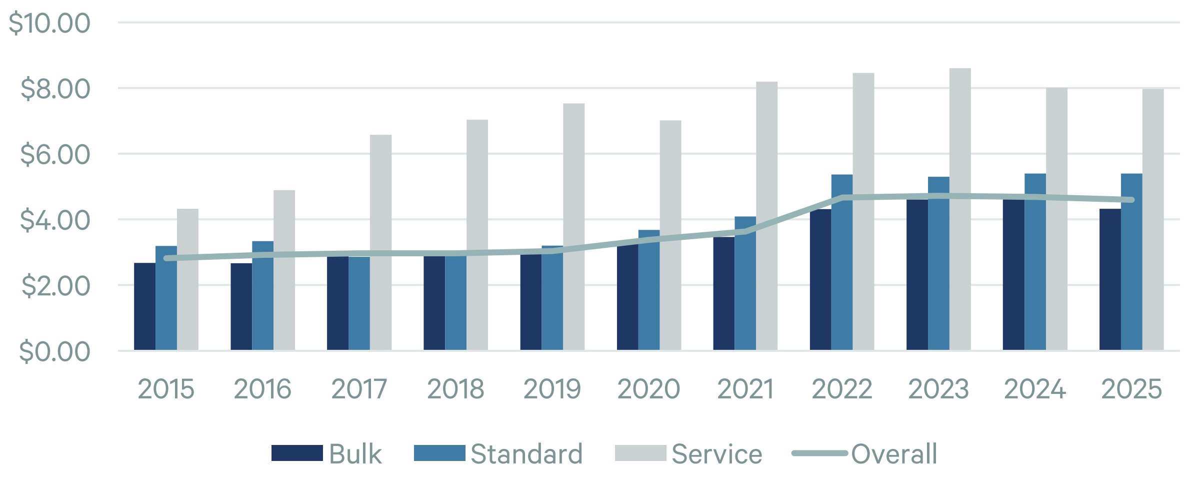
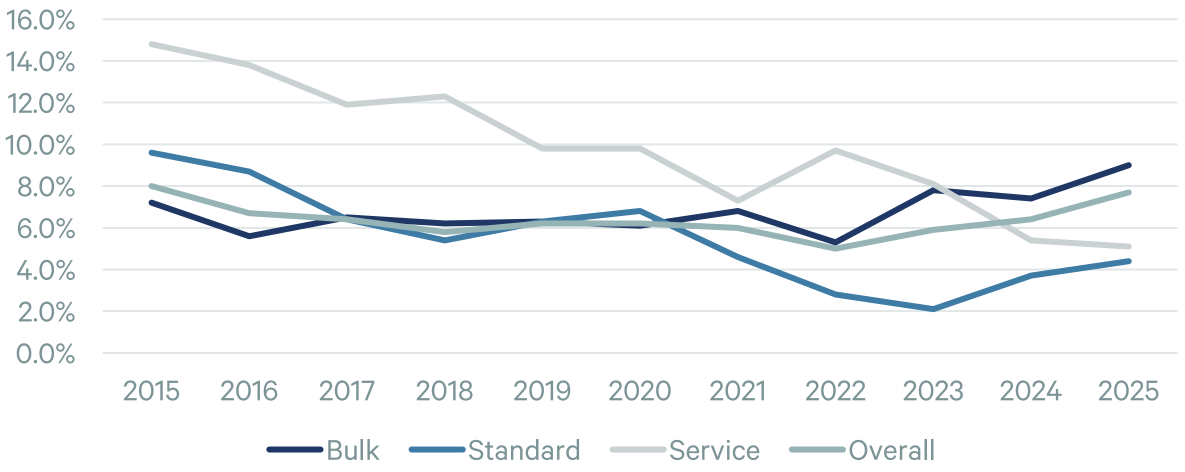
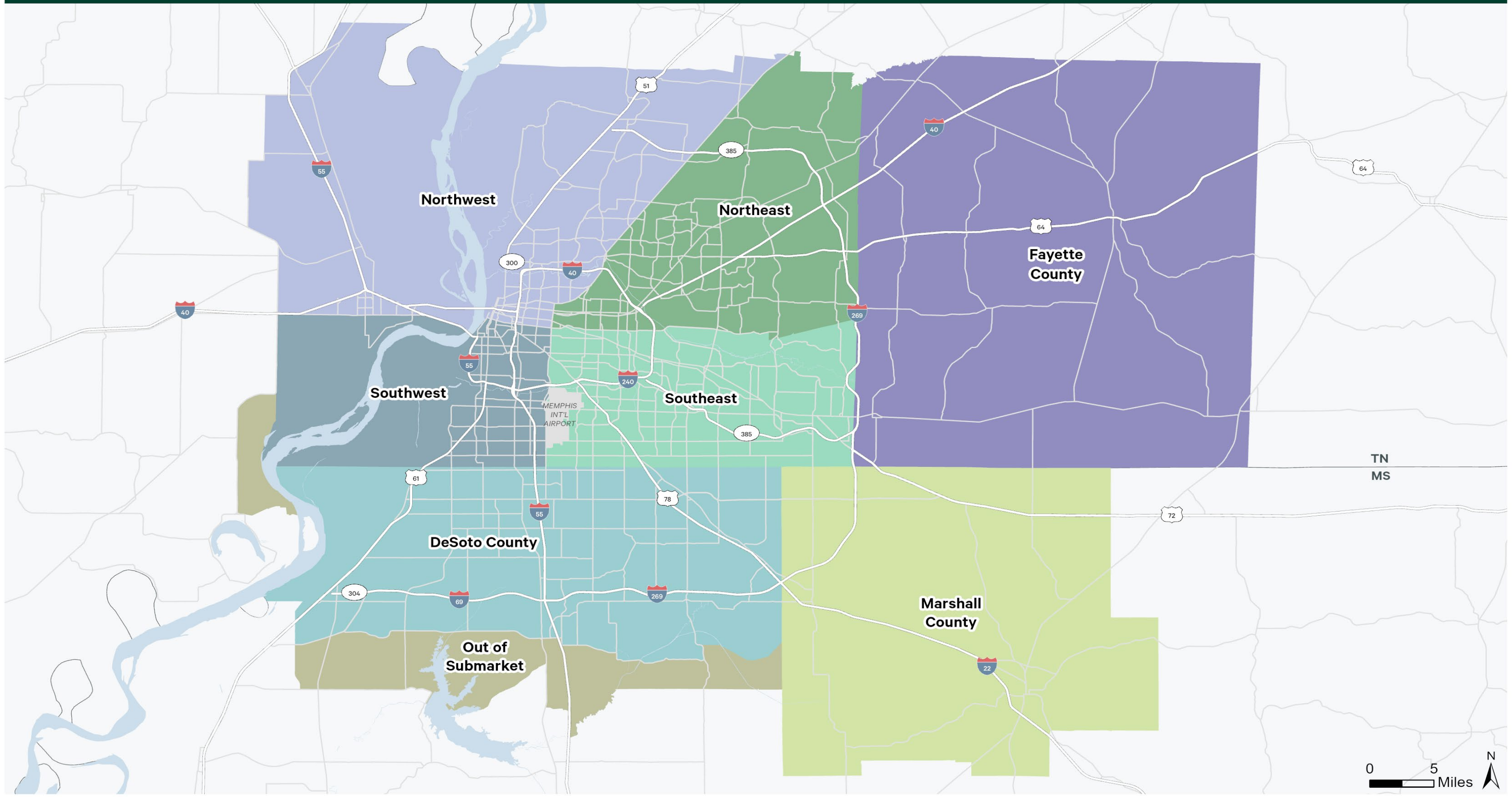


FIGURE 4: Direct Vacancy Rate



Industrial Submarkets

Memphis, TN



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