

Memphis, TN



Quick Stats

6.1%

Unemployment Rate
Memphis MSA August 2021
(BLS)
Preliminary

6.2%

Direct Vacancy Rate

10.5 msf

Direct Net Absorption Year-to-Date
(Based on Occupancy)

\$3.22 psf

Direct Asking Rental Rate
(Weighted Average)

13.0 msf

Industrial Product Under Construction

Market overview

The regional economy continued to see steady improvement despite the surge of Delta variant cases in Shelby County and the surrounding area. In its latest Beige Book release, the Federal Reserve Bank of St. Louis reported that wages and prices experienced an increase from last quarter while business activities were challenged by staffing shortages and low inventory due to the disruption of the global supply chain.

COVID-19 diagnoses due to the Delta variant surpassed the number of cases in previous waves, exacerbating labor shortages and delaying some employers' return-to-work plans. According to the Shelby County Health Department, 43.6% of the county's population is fully vaccinated and after a surge of infections and hospitalizations in August, the positivity rate has finally begun to decline.

According to the Bureau of Labor Statistics,

only 235,000 jobs were added to the national economy in August, severely short of the 750,000 that economists projected. In the Memphis MSA, the preliminary unemployment rate came in at 6.1% in August, a decrease of 0.8 percentage points (pp) from July. The U.S. Decennial Census revealed that population growth between 2010 and 2020 was limited in Shelby County while Fayette and DeSoto Counties saw growth of 9% and 15%, respectively.

The Memphis industrial market's hot streak persists with large sale transactions and record-breaking deliveries and leasing activity. Exciting news reverberated throughout the Mid-South as Ford Motor Company and SK Innovation announced a \$5.6 billion investment in the Memphis Regional Megasite. The Blue Oval City campus will sprawl over 3,600 acres, creating over 5,800 jobs that will directly impact the Memphis MSA.

Memphis Industrial market trends

Third Quarter 2021

Leasing

The direct vacancy rate recorded 6.2%, a decrease of 0.4 percentage points (pp) from second quarter of 2021 and a decrease of 0.1 pp from the same time last year. More than 9.3 msf of leasing activity was reported this quarter, consisting of 6.3 msf of new transactions and 3.0 msf of renewals. The largest recorded lease transaction this quarter occurred in DeSoto County, where Milwaukee Tool leased and occupied 1.2 million square feet (msf) at Olive Branch Distribution Center. The Southwest submarket also saw a fair amount of activity with several renewals and a 110,000-sf expansion by Supply Chain Solutions at Memphis Depot Industrial Park.

The Southeast submarket recorded 4.1 msf of leasing activity, bringing the year-to-date transaction volume to 11 msf. Medtronic Logistics signed for more than 1.0 msf at Memphis Airport Logistics Center, the largest new lease in the Southeast submarket recorded this cycle. TPA Group's Memphis Airport Logistics Center is expected to

deliver in the fourth quarter of 2021.

Sales

Total industrial investment volume reached \$320 million this quarter. Several notable portfolio sales occurred, including Granite REIT's acquisition of two buildings totaling 1.3 msf at Crossroads Distribution Center for \$97 million and Mapletree Investments' purchase of two buildings totaling 1.6 msf at Memphis Trade Center III and 5200 Tradeport for \$71.2 million. LRC Properties, which first entered the Memphis market at the beginning of the year, purchased three more industrial properties - Memphis Logistics Center I and II and Centerpoint III - from Ares Capital for \$57 million. IDI Logistics disposed of 3292 East Holmes Road, presently occupied by Amazon, for \$45 million. Bixby Land Company purchased DeSoto 55 Logistics Center Building A2 from Core5 Industrial Partners for \$25 million.

Construction

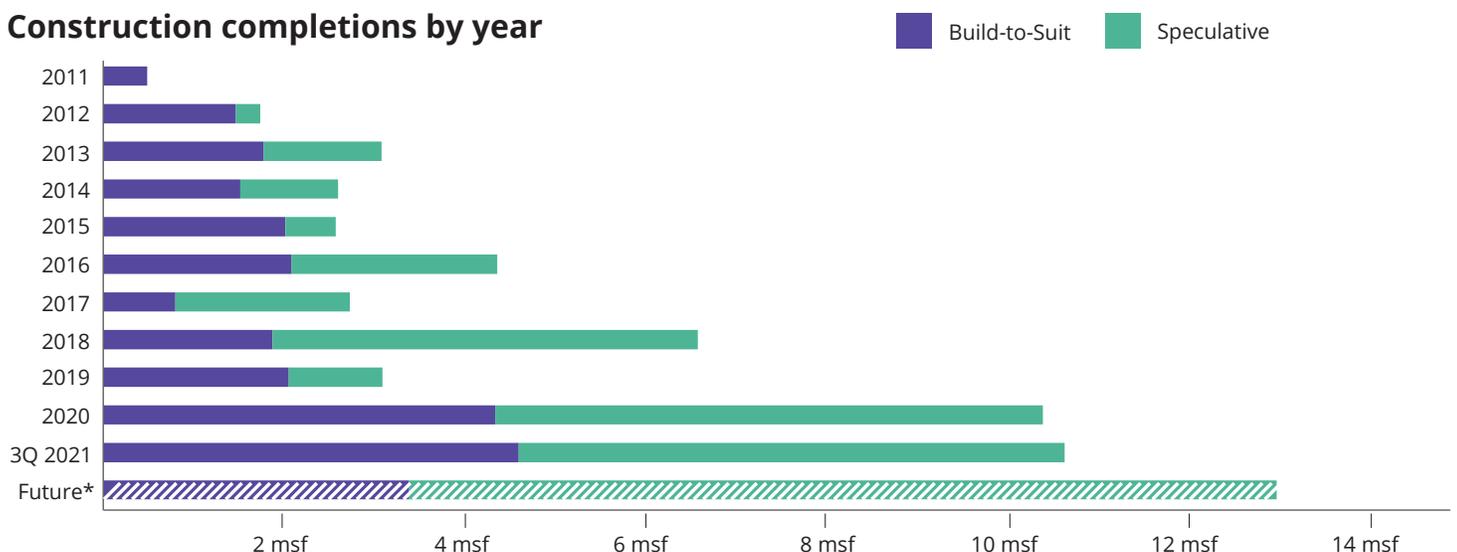
The Memphis industrial market is adding product at a furious pace and

has already surpassed the record-setting amount of inventory added to the market in 2020. Seven buildings totaling 4.8 msf delivered to the market this quarter, bringing the year-to-date total to 10.6 msf. Another 13.0 msf is currently under construction, 3.3 msf of which broke ground this quarter.

At I-269 Industrial Park in Marshall County, H&M Development completed two buildings, including Baxter's 850,000-sf build-to-suit at Site 6 as well as the 707,940-sf distribution center at Site 1 which will house Milwaukee Tool. Construction also began this quarter on the tool manufacturer's expansion of 432,000 sf in the same building.

In the DeSoto County submarket, Hillwood Investment Properties delivered a 1.1-msf speculative building at Marina Commerce Center and broke ground on Helen of Troy's 2.0-msf build-to-suit at Winstead Trade Center. Scannell Properties completed their 1.0-msf speculative warehouse at Scannell 55 Logistics Center which is partially occupied by XPO.

Construction completions by year



* Product currently under construction

Top leases

Tenant	Property	SF	Submarket	Type
Milwaukee Tool	Olive Branch Distribution Center	1,170,218	DeSoto County	New
Medtronic Logistics LLC	Memphis Airport Logistics Center	1,013,500	Southeast	New
CEVA Logistics U.S. Inc.	Southpoint XIX	648,750	Southeast	Renewal
Eversana	Midway Distribution Center Bldg C	460,000	Southeast	Renewal
Priority Fullfillment Services	Stateline Business Park Bldg H	373,644	Desoto County	Renewal
Helen of Troy	Medline Distribution Center	372,680	Desoto County	New
Undisclosed	Gateway Global Logistics Center Bldg VI	338,580	Marshall/Fayette County	New
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FedEx Supply Chain	Memphis International Distribution A	337,954	Southeast	New
Barrett Distribution Centers LLC	Olive Branch Logistics Center Building A	329,470	DeSoto County	New
Expeditors International	Fayette Trade Center Bldg 1	317,059	Marshall/Fayette County	New

Top sales

Property	Buyer	Seller	SF	Price	\$ PSF	Submarket
IDI Logistics Portfolio 2021	Granite REIT	IDI Logistics	1,269,492	\$96,925,112	\$76	DeSoto County
Memphis Trade Center III & 5200 Tradeport	Mapletree Investments	Exeter Property Group	1,664,000	\$71,167,657	\$43	Southeast
Ares Capital TN Industrial Portfolio 2021	LRC Properties / Rialto Capital Management	Ares Capital	1,116,760	\$57,000,000	\$51	Southeast
IDI Premier Credit Logistics Portfolio	GLP Capital Partners	IDI Logistics	615,440	\$45,246,216	\$74	Southeast
DeSoto 55 Logistics Center Building A2	Bixby Land Company	Preylock Holdings, LLC	328,355	\$25,000,000	\$76	DeSoto County
2950 Brother Blvd	Plymouth REIT	2950 Brother, LLC	230,775	\$9,200,000	\$40	Northeast
1700 Dunn Ave	Plymouth REIT	Belz Enterprises	326,812	\$6,300,000	\$19	Southwest
4049 E Raines Rd	Exeter Property Group	Farallon Capital Management	145,600	\$6,031,375	\$41	Southeast

Statistics by submarket

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Direct Net Absorption				Average Asking Rental Rates*		
					Current Quarter	YTD	Under Construction	YTD Completions	Flex	Whs/ Dist	All
Northeast	249	14,238,803	5.5%	5.7%	-113,875	-66,360	0	0	\$8.01	\$4.32	\$6.59
Southeast	497	90,514,970	4.0%	4.0%	2,487,448	5,375,431	1,322,540	2,450,378	\$6.19	\$2.98	\$3.26
Northwest	77	15,043,546	17.2%	17.2%	0	101,162	181,500	0	N/A	\$0.94	\$0.94
Southwest	348	29,751,818	4.8%	4.8%	128,688	100,465	0	0	\$3.73	\$2.30	\$2.39
DeSoto County	170	57,321,407	9.1%	9.1%	1,167,702	3,084,134	5,655,798	5,603,413	N/A	\$4.38	\$4.38
Marshall County <small>* includes Fayette County</small>	48	16,485,539	1.9%	1.9%	1,557,940	1,892,940	5,814,766	2,579,610	N/A	\$3.75	\$3.75
Total	1,389	223,356,083	6.2%	6.3%	5,227,903	10,487,772	12,974,604	10,633,401	\$6.91	\$2.77	\$3.22

* Direct weighted average \$/psf

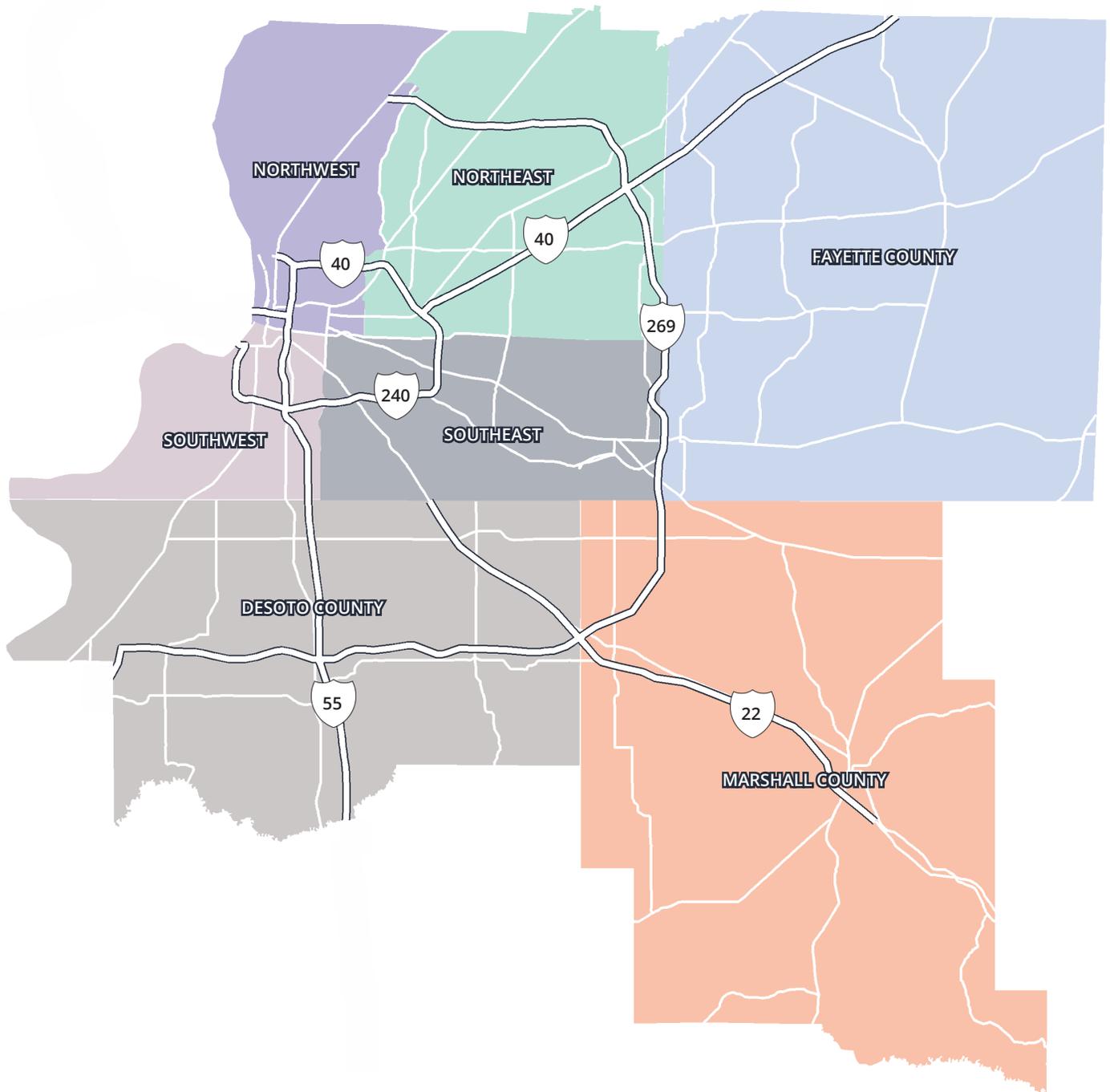
Statistics by property type

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Direct Net Absorption				Average Asking Rental Rates*
					Current Quarter	YTD	Under Construction	YTD Completions	
Flex	336	13,588,900	6.3%	6.4%	50,339	119,339	0	0	\$6.91
Warehouse	1,053	209,767,183	6.2%	6.3%	5,177,564	10,368,433	12,974,604	10,633,401	\$2.77
Total	1,389	223,356,083	6.2%	6.3%	5,227,903	10,487,772	12,974,604	10,633,401	\$3.22

* Direct weighted average \$/psf



Memphis industrial submarkets



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