



Memphis industrial market report

1Q 2023

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Memphis industrial market indicators

5.8%

Direct vacancy rate

The market's direct vacancy rate increased for the second consecutive quarter following a market low of 5.0% in Q3 2022.

2.1 msf

Direct net absorption

(based on occupancy)

Bolstered by large build-to-suit deliveries, direct net absorption remained positive this quarter.

5.4 msf

Leasing activity

(including renewals)

New or expansion transactions accounted for nearly 3.0 msf, with the Southeast submarket leading in terms of transaction volume.

6.3 msf

Under construction

Following a record breaking two years, construction activity slowed in the first quarter with no new construction starts.

3.3 msf

Construction completions

Speculative deliveries slowed significantly from prior quarters, with build-to-suit projects accounting for more than 88% of completions this quarter.

4.2%

Unemployment rate

(BLS January 2023, preliminary)

Year-over-year decline of 1.0 percentage point, with largest employment growth in the construction, education and health services, and information sectors.

Memphis market overview

As fears of a more significant economic downturn grow, there are plenty of signs to indicate that the Memphis industrial market is beginning to come off its pandemic and post-pandemic highs. The market reported a slight increase in direct vacancy this quarter despite 2.1 msf of positive net absorption, primarily due to the fact that the majority of positive absorption took place in build-to-suit (BTS) projects that delivered new inventory to the market. Helen of Troy completed its 2.0 msf distribution center in Fayette County, adding to two existing facilities

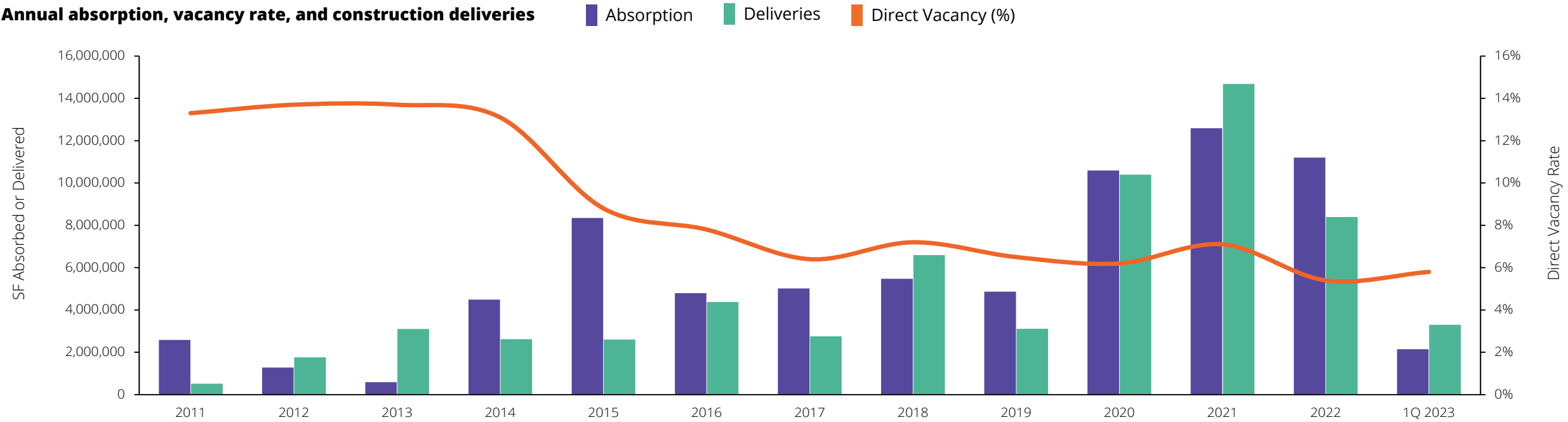
in DeSoto County. The company’s decision to locate in Gallaway, with its easy access to Interstate 40 and its proximity to Ford’s Blue Oval City, is likely to initiate growing developer interest in the area.

Associated Wholesale Grocers also finished its 913,727 sf BTS in DeSoto County, a move that will impact other submarkets as the company consolidates its operations in the new facility. The Southeast submarket saw two speculative deliveries: 234,360 sf at Southridge

Industrial Park that is fully leased by DHL, and 150,000 sf at Distriplex Farms Park Bldg 3 which is occupied by Performance Food Group.

There were no new construction starts in the first quarter, but with nearly 6.0 msf of speculative product underway and expected to complete by year end, the market could see additional increases in vacancy if economic headwinds infiltrate industrial demand as they have other sectors.

Annual absorption, vacancy rate, and construction deliveries



Leasing activity

3.0 msf

New leases or expansions

2.4 msf

Renewals

Leasing activity in the first quarter slowed in comparison to the same period last year, an indication of occupier demand that is softening in the face of economic uncertainty. Apart from a few larger transactions in North Mississippi, the bulk of activity consisted of requirements under 300,000 sf.

Map key

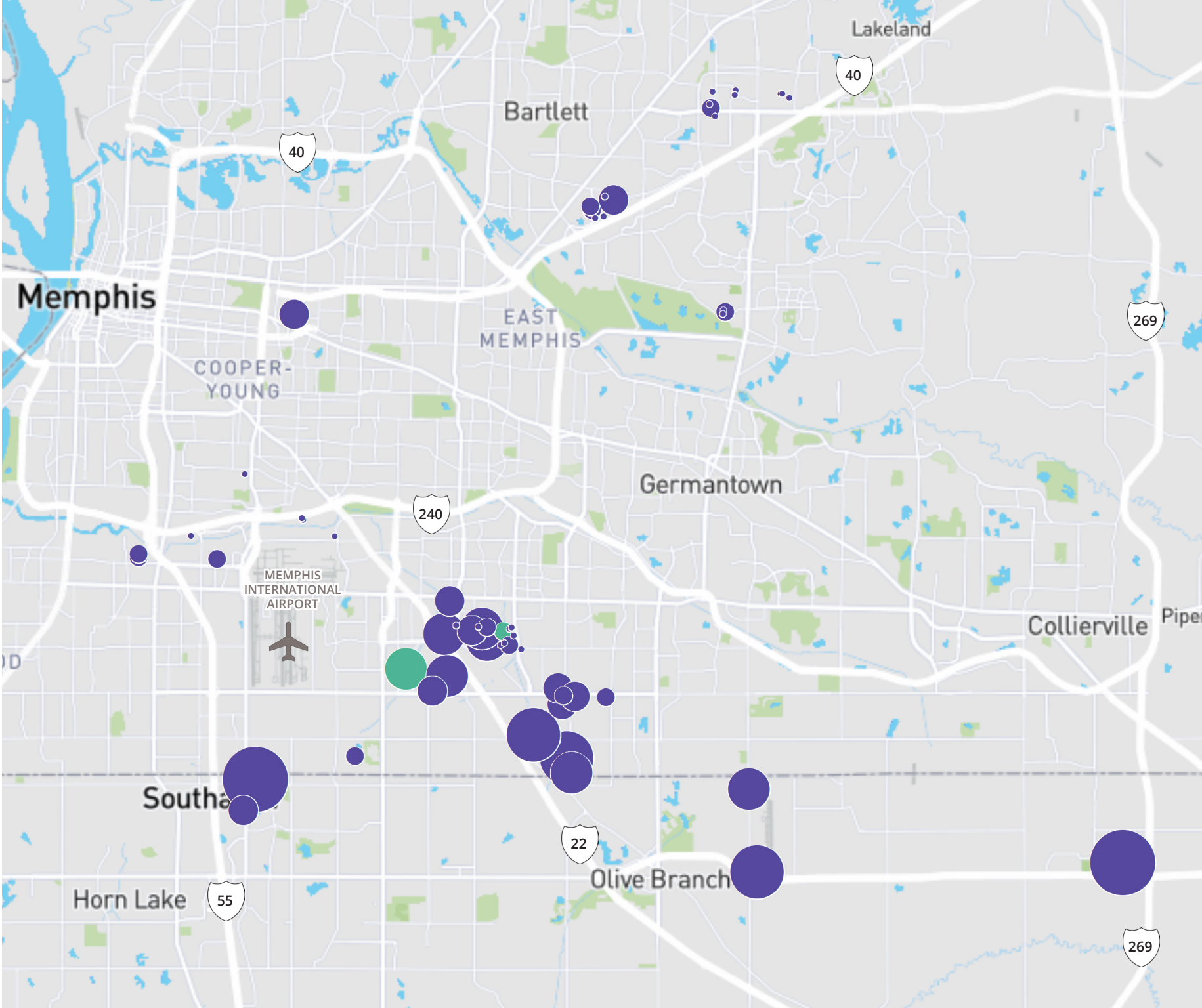
Transaction size



- 500,000+ sf
- 250,000-499,999 sf
- 100,000-249,999 sf
- 50,000-99,999 sf
- 25,000-49,999 sf
- 0-24,999 sf

Space type

- Direct space
- Sublease space



Memphis industrial market activity

Notable leases

Tenant	Property	SF	Submarket	Type
Barrett Distribution	I-269 Logistics Center Bldg D	957,400	Marshall	New
Fiskars	Southaven Distribution Center Bldg 1	910,000	DeSoto County	Renewal/Expansion
Bryce Corporation	Eastpark II	338,000	Southeast	Renewal
Geodis	Memphis Logistics Center II	283,500	Southeast	Renewal
Gardner, Inc.	Woods Trade Center	252,656	DeSoto County	New
River Horse Logistics, LLC	Hacks Cross Logistics Center Bldg 2	204,726	DeSoto County	New
Neovia Logistics Services, LLC	5000 E Raines Rd	200,672	Southeast	Renewal
Plaskolite	10500 High Point	160,000	DeSoto County	Sale Leaseback
Advanced Warehouse, LLC	Airport Distribution Center Bldg 10	160,000	Southeast	New
PepsiCo Global Real Estate, Inc	Distriplex Business Park II Building IV	156,000	Southeast	New

Notable sales

Property	Buyer	Seller	SF	Price	\$ PSF	Sale Type	Submarket
Scannell Logistics Center	Sealy & Company	Scannell Properties	466,476	\$53.6 M <i>*estimated</i>	\$115 <i>*estimated</i>	Investment	DeSoto County
Desoto Trade Center Bldg 2	EQT Exeter	CRE Holding LLC	722,066	\$39.0 M	\$54	Investment	DeSoto County
10500 High Point Rd	WP Carey REIT	Plaskolite South LLC	160,000	\$10.7 M	\$67	Investment	DeSoto County
575 Phelan Ave	Bradley J Goodrich	575 Phelan Avenue LLC	111,542	\$5.8 M	\$52	Owner User	Northeast
4210 BF Goodrich Blvd	National Oak Distributors	Lyonhill; Justin Klumak	82,000	\$3.8 M	\$46	Investment	Southeast
4242 BF Goodrich Blvd	Woodhill Real Estate	George X Cannon	117,300	\$2.5 M	\$21	Investment	Southeast
245 S Camilla St	KNM Development Group	William Dubord	55,000	\$2.2 M	\$40	Investment	Southwest

Memphis industrial market statistics

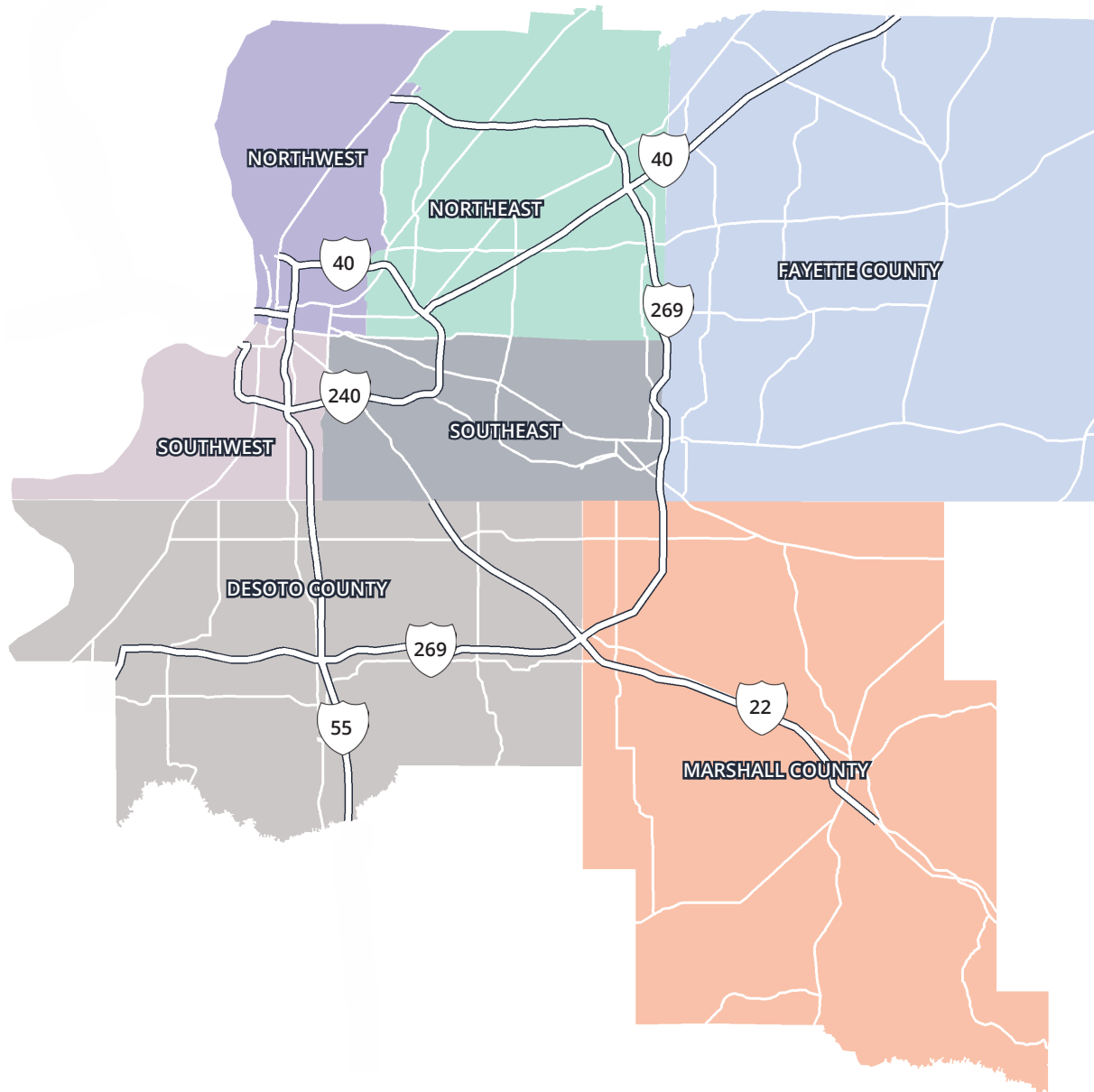
Statistics by submarket					Direct Net Absorption				Average Asking Rental Rates*		
Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Current Quarter	YTD	Under Construction	YTD Completions	Flex	Whs/ Dist	All
Northeast	242	13,853,993	2.2%	3.0%	-26,673	-26,673	0	0	\$8.97	\$6.49	\$7.77
Southeast	507	93,816,955	4.2%	4.5%	-671,483	-671,483	1,648,640	384,360	\$4.93	\$3.41	\$3.54
Northwest	85	15,631,771	8.3%	8.3%	0	0	0	0	NA	\$1.00	\$0.97
Southwest	348	29,734,023	3.4%	3.4%	66,084	66,084	0	0	\$2.53	\$2.67	\$2.72
DeSoto County	183	62,634,264	7.7%	8.0%	776,160	776,160	2,737,603	913,727	NA	\$4.14	\$4.21
Marshall County <i>(includes Fayette County)</i>	56	24,245,375	10.2%	11.3%	2,000,000	2,000,000	1,893,028	2,000,000	NA	\$3.35	\$3.35
Total	1,421	239,916,321	5.8%	6.1%	2,144,088	2,144,088	6,279,271	3,298,087	\$6.65	\$3.45	\$3.62

* Direct weighted average \$/psf

Statistics by property type					Direct Net Absorption					
Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Current Quarter	YTD	Under Construction	YTD Completions	Average Asking Rental Rates*	
Flex	336	13,594,512	4.2%	4.2%	-18,132	-18,132	0	0	\$6.65	
Warehouse	1,085	226,321,809	5.9%	6.2%	2,162,220	2,162,220	6,279,271	3,298,087	\$3.45	
Total	1,421	239,916,321	5.8%	6.1%	2,144,088	2,144,088	6,279,271	3,298,087	\$3.62	

* Direct weighted average \$/psf

Memphis submarket map



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