

# Memphis, TN

## Quick Stats

**6.3%**

Unemployment Rate  
Memphis MSA February 2021  
(BLS)  
*Preliminary*

**6.3%**

Direct Vacancy Rate

**1.6 msf**

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

**\$2.88 psf**

Direct Asking Rental Rate  
(Weighted Average)

**16.6 msf**

Industrial Product Under  
Construction

## The Memphis economy

The Memphis market starts the new year off with a cautiously optimistic outlook as local, state, and federal lawmakers allow businesses to reopen with the rollout of novel coronavirus (COVID-19) vaccinations ramping up and a new administration settling in with plans to rebuild the economy.

This time last year, COVID-19 spread quickly into the U.S., posing a serious health risk to much of the population and wreaking havoc on the economy as local governments mandated business closures, propagating a general day-to-day uncertainty seemingly without an end in sight. Fast forward nine months and Pfizer and Moderna vaccinations hit the market at the end of fourth quarter of 2020 with distribution and administration seeing even more significant strides

in the first quarter of 2021.

In March, 900,000 jobs were added to the economy nationally, with the hospitality sector accounting for the largest portion of those jobs according to the Federal Reserve Bank of Atlanta. In Memphis, the unemployment rate is down 0.4 percentage points (pp) from last quarter and up 2.4 pp from first quarter of 2020.

Demand for warehouse and distribution space grew as e-commerce supply chain was overwhelmed, including returns which take up 30% of all deliveries. FedEx Express, specifically, adjusted their operations to provide transportation of vaccines throughout the U.S., including, the most recently approved Johnson & Johnson vaccine.

# Memphis, TN Industrial market trends

## First Quarter 2021

### Leasing

In first quarter of 2021 the market recorded 4.1 million square feet (msf) of leasing activity. Only 28% of reported leases were renewals compared to the 64% of those that were reported in the fourth quarter of 2020. The Southeast industrial market experienced a healthy amount of leasing activity this quarter, with 2.4 msf out of the 3.3 msf signed in the submarket being new leases. The largest lease, however, was a renewal from ThyssenKrupp Supply Chain for 515,106 sf in Southeast Memphis. ThyssenKrupp has been active in the market, having pre-leased 84,240 sf last quarter at Scannell Logistics Center Building 2, a speculative building currently under construction, and is expected to occupy that space in the second quarter of 2021.

The direct vacancy rate recorded 6.3%, representing a slight increase from last quarter. However, the direct vacancy rate remains the same as it was a year ago, although looking forward it could see an uptick as the deluge of new speculative development currently under construction delivers to the market. Direct net absorption reached 1.6 msf, tempered by some large move-outs such as XPO Logistics vacating nearly 1.0 msf in the Southeast submarket.

### Sales

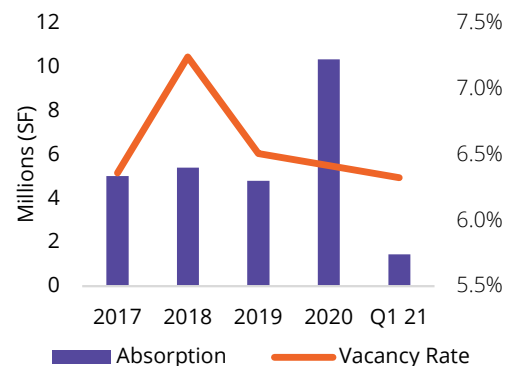
Memphis continues to see active industrial investor demand and is even attracting new investors to the market as they seek to capitalize on low interest rates and favorable returns as well as the area's solid fundamentals. LRC Properties, in its first Memphis acquisition, purchased the 640,000-

sf Technicolor building at Southridge Industrial Park for \$23 million. The largest transaction of the quarter was Preylock RE Holdings' purchase of Core5 Industrial Partners' 1.2-msf portfolio DeSoto 55 Logistics Center Building D and A2 for \$68 million. Total investment volume reached \$119 million, down nearly 23% from first quarter of 2020.

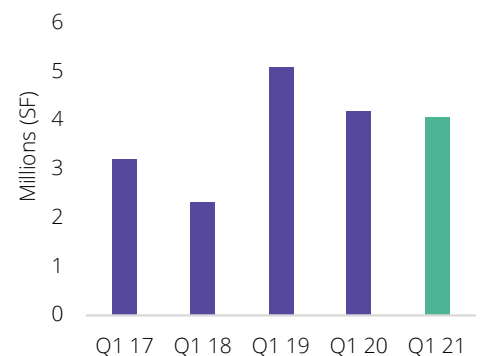
### Construction

Supply chain disruption and the rising cost of construction materials has subsequently delayed delivery dates and caused a bottle neck effect in the industrial sector. With that said, the Memphis industrial market delivered a 1.2 msf, build-to-suit development for Medline Industries, the largest private manufacturer and distributor of medical supplies, at 701 Research Drive in DeSoto County. Deliveries have slowed after a record-setting 10.4 msf was added to the inventory in 2020. There is a total of 16.6 msf of industrial product underway, half of which is estimated to complete second quarter of 2021.

### Absorption and Vacancy Rate



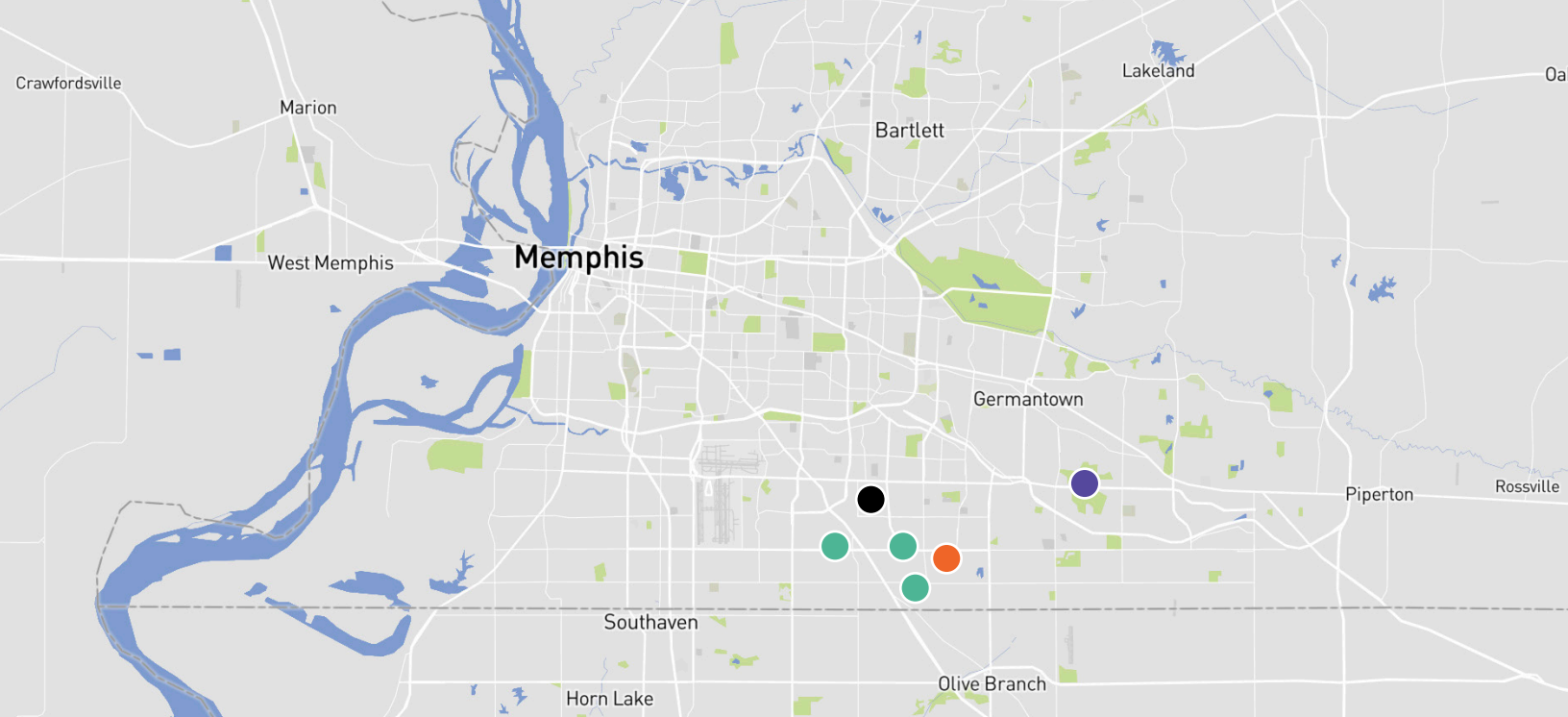
### Leasing Activity by SF



# 13.7 msf

of new industrial inventory will deliver before year-end 2021





## In the headlines



### Cognate BioServices



**Memphis continues to attract attention as a viable option for growing companies to relocate and/or expand their operations in the Mid-South. Area municipalities offer competitive financing and tax incentives programs and the low cost of living and doing business is a significant appeal to investors and corporate decision makers.**

Charles River Laboratories Inc., a pharmaceutical company based in Wilmington, Massachusetts acquired Cognate BioServices in February of 2021 for \$875 million. Shortly after, Cognate BioServices announced their \$212 million dollar expansion in Memphis, doubling their current manufacturing and distribution operations square footage and spreading across 200,000 sf between three buildings.



### Alphatec Spine



Alphatec Spine, a California-based medical device company sought local incentives to expand their medical device repair and distribution operations and signed a 75,643-sf lease at 4101 Willow Lake Boulevard this quarter, further advancing Memphis to become a central hub for the medical device industry.



### Mullen Technologies



Mullen Technologies, a California-based electric car manufacturer is ramping up their team to design and engineer market after purchasing a manufacturing facility in Tunica County. Looking to fill the vacant former Nike facility, Mullen Technologies would invest over \$362 million in the 817,000-sf building.



### LRC Properties



As mentioned earlier, LRC Properties is expanding their portfolio of industrial product, which is predominately concentrated on the East Coast. Their acquisition of the Technicolor building in the Southeast submarket is a testament to their confidence in the Memphis industrial market.

## Top leases

Tenant	Property	SF	Submarket	Type
ThyssenKrupp Supply Chain	5000 E Raines Rd	515,106	Southeast	Renewal
UNIS	Southpark Distribution Center Bldg J&K	474,000	Southeast	New
Premier Packaging	5000 E Raines Rd	346,147	Southeast	New
Technicolor	4280-4300 Getwell Rd	249,000	Southeast	New
Nickey Warehouse	Memphis Depot Industrial Park Bldg 689	167,839	Southwest	Renewal
Ubiquiti	Memphis Global Crossing	161,000	Southeast	New
HJI Supply Chain	Memphis Distribution Center Bldg J	160,000	Southeast	New
CNA Freight	Hickory Hill Industrial #110	143,893	Southeast	New
Elkay Plumbing Products Company	Scannell Logistics Center Bldg 1	140,400	Desoto County	New
Southern Star Buske, LLC	Legacy Park V	139,271	Desoto County	New

## Top sales

Property	Buyer	Seller	SF	Price	\$ PSF	Submarket
Desoto 55 Logistic Center Bldg D	Preylock RE Holdings	Core5 Industrial Partners	860,915	\$49,437,175	\$57	DeSoto County
DeSoto 55 Logistics Center Bldg A2	Preylock RE Holdings	Core5 Industrial Partners	318,355	\$18,281,215	\$57	DeSoto County
Technicolor	LRC Properties	SK Realty	640,000	\$23,000,000	\$36	Southeast
Crown Forklift	Green & Little Properties LP	Crown Equipment Corporation	80,000	\$11,500,000	\$144	Fayette County
Ajax Distributing Company	Benjamin Singfer	DBI Beverage Inc	277,230	\$10,300,000	\$37	Southeast
4173-4239 BF Goodrich Blvd	Hodges Development Properties LP	Queensland Cotton	300,000	\$6,050,000	\$20	Southeast



### Statistics by submarket

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Direct Net Absorption		Under Construction	YTD Completions	Average Asking Rental Rates*		
					Current Quarter	YTD			Flex	Whs/ Dist	All
Northeast	249	14,238,803	5.2%	5.4%	-28,340	-28,340	0	0	\$7.32	\$5.00	\$6.84
Southeast	490	87,987,572	6.8%	6.9%	598,297	598,297	3,464,378	0	\$7.45	\$2.85	\$3.12
Northwest	77	15,043,546	17.9%	17.9%	0	0	0	0	N/A	\$0.87	\$0.87
Southwest	348	29,731,216	5.2%	5.2%	-3,122	-3,122	0	0	\$3.73	\$1.80	\$1.91
DeSoto County	163	51,896,324	3.6%	4.3%	985,602	985,602	8,919,851	1,200,000	N/A	\$3.44	\$3.44
Marshall County * includes Fayette County	46	14,927,599	4.4%	4.4%	0	0	4,208,010	0	N/A	\$3.75	\$3.75
<b>Total</b>	<b>1,373</b>	<b>213,825,060</b>	<b>6.3%</b>	<b>6.5%</b>	<b>1,552,437</b>	<b>1,552,437</b>	<b>16,592,239</b>	<b>1,200,000</b>	<b>\$7.06</b>	<b>\$2.54</b>	<b>\$2.88</b>

\* Direct weighted average \$/psf

### Statistics by property type

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Direct Net Absorption		Under Construction	YTD Completions	Average Asking Rental Rates*
					Current Quarter	YTD			
Flex	336	13,588,900	7.2%	7.4%	-5,750	-5,750	0	0	\$7.06
Warehouse	1,037	200,236,160	6.3%	6.5%	1,558,187	1,558,187	16,592,239	1,200,000	\$2.54
<b>Total</b>	<b>1,373</b>	<b>213,825,060</b>	<b>6.3%</b>	<b>6.5%</b>	<b>1,552,437</b>	<b>1,552,437</b>	<b>16,592,239</b>	<b>1,200,000</b>	<b>\$2.88</b>

\* Direct weighted average \$/psf

### Get more market information:

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