

# Memphis, TN



## Quick Stats

**6.7%**

Unemployment Rate  
Memphis MSA November 2020  
(BLS)  
*Preliminary*

**6.2%**

Direct Vacancy Rate  
-0.6 pp YOY

**10.6 msf**

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

**\$2.89 psf**

Direct Asking Rental Rate  
(Weighted Average)

**11.8 msf**

Industrial Product Under  
Construction

The Memphis industrial market closes out the year with a substantial portfolio sale transaction, large lease renewals, and record-setting absorption and deliveries. The unemployment rate is down 4.1 percentage points (pp) from last quarter and is comparable with the national average at 6.7%. With encouraging news of coronavirus vaccine efficacy, optimism from both investors and consumers fuels the economy as we head into a new year.

### Leasing

More than 1.3 million square feet (msf) of new leasing activity, in addition to 3.4 msf of lease renewals, was reported this quarter. The largest renewal came from Siemens Corporation for 619,000 sf in DeSoto County. The direct vacancy rate recorded 6.2%, a decrease of 0.1 percentage points (pp) from third quarter of 2020 and a decrease of 0.6 pp from the same time last year. New deliveries in the form of build-to-suit and pre-leased speculative product pushed absorption to 3.9 msf, bringing the year-to-date total to a record-breaking 10.6 msf.

### Sales

Industrial investor demand has been active due to low interest rates, favorable spreads and strong fundamentals. In the largest transaction of the quarter, Avison Young's

Memphis office assisted Plymouth Industrial REIT's acquisition of a 28-building, 2.3-msf portfolio for \$86 million. Despite a strong finish to the year, investment volume is down nearly 18% from 2019; however, quarterly average price per sf increased to \$52 psf in December 2020 from \$48 psf in December 2019.

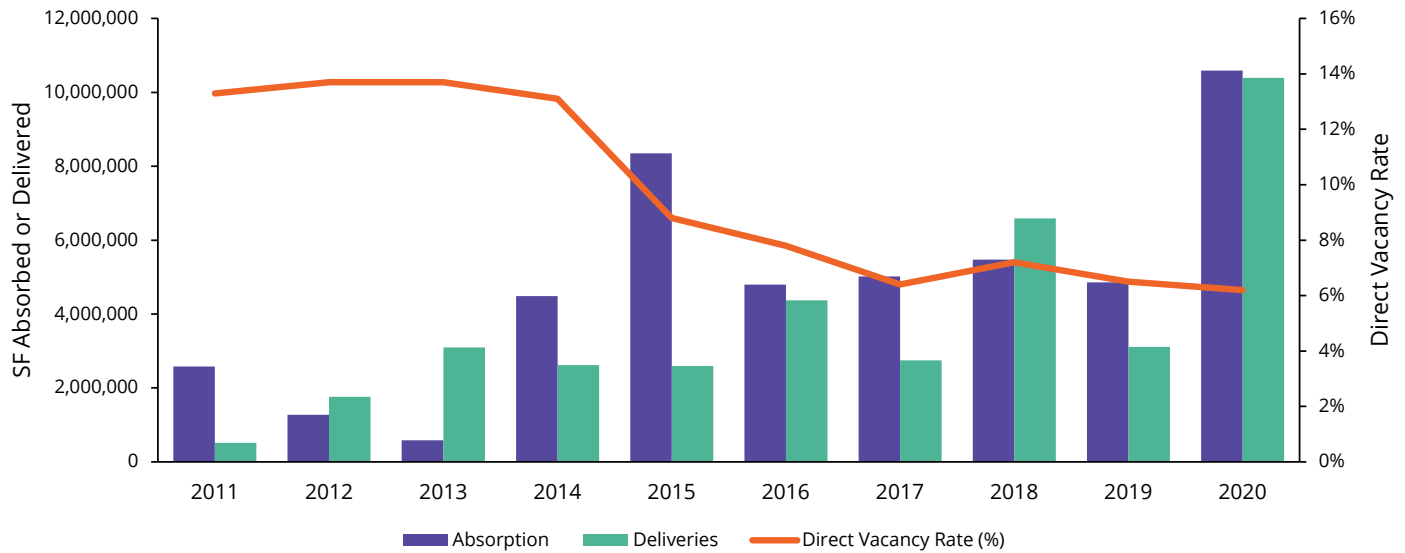
### Construction

The Memphis industrial market delivered 10.4 msf of speculative and build-to-suit projects during one of the toughest economic years in history. An additional 11.8 msf of industrial product is underway, including 8.6 msf of speculative projects and 3.2 msf of build-to-suit projects. Seven buildings totaling 4.0 msf delivered to the market this quarter, the majority of which were build-to-suit developments. The most notable delivery this quarter is Amazon's 2,050,502-sf sorting facility in the Northwest submarket, marking the first large-scale build-to-suit project since the completion of Nike's distribution center in 2015.

### Outlook

The outlook for the industrial sector remains positive as tenant demand is expected to persist. The vacancy rate could see an uptick as 7.3 msf of speculative product is expected to deliver through the second quarter of 2021.

### Annual absorption, deliveries, and vacancy rate



### Top leases

Tenant	Property	SF	Submarket	Type
Siemens Corporation	Airways Distribution Center Bldg B	619,000	Desoto County	Renewal
Diamond Comics	7485 Polk Lane	600,000	DeSoto County	Renewal
Patterson Warehouses Inc	295 Marathon Way	454,272	Desoto County	Renewal
Cardinal Health	Prologis Park DeSoto Bldg 1	391,232	Desoto County	Renewal
Cummins	Southpark Distribution Center Bldg H	371,233	Southeast	Sublease
Ford Motor Company	Eastpark III	360,800	Southeast	Renewal
Undisclosed	Memphis International Airport Center	160,000	Southeast	New
XPO	Prologis Park DeSoto Bldg 4	156,000	DeSoto County	Renewal
Chatt Transport Services, LLC	Airport Industrial Park 101 Bldg 1	150,000	Southeast	New

### Top sales

Property	Buyer	Seller	SF	Price	\$ PSF	Submarket
Multi-property portfolio	Plymouth Industrial REIT	Faropoint Investments	2,300,000	\$86,000,000	\$37	Southeast / DeSoto County
Tradecenter II	Bankers Commercial Corp	STAG Industrial	629,000	\$46,200,000	\$73	Southeast
3303 E Holmes Rd	Arvato Digital Services LLC	Smith & Nephew	210,000	\$10,500,000	\$50	Southeast
3300 Brother Blvd	Royal Oak Realty Trust	Newgar LTD	120,000	\$10,100,000	\$84	Northeast
4290 E Raines Rd	Olymbec	Net Magan	162,500	\$4,900,000	\$30	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	4.5%	4.7%	21,434	122,943	0	0	\$7.39	\$5.67	\$6.86
Southeast	489	87,878,014	7.0%	7.0%	710,393	1,571,920	1,647,485	700,000	\$5.74	\$2.81	\$2.93
Northwest	77	15,043,546	17.9%	17.9%	2,050,502	1,840,980	0	2,050,502	N/A	\$0.87	\$0.87
Southwest	348	29,731,216	5.2%	5.2%	-44,908	322,455	0	0	\$3.73	\$1.71	\$1.83
DeSoto County	162	50,696,324	3.2%	3.9%	788,143	4,545,032	6,909,970	4,804,671	N/A	\$4.06	\$4.06
Marshall County <small>* includes Fayette County</small>	46	14,927,599	4.4%	4.4%	390,711	2,187,911	3,250,610	2,839,970	N/A	\$3.75	\$3.75
<b>Total</b>	<b>1,371</b>	<b>212,515,502</b>	<b>6.2%</b>	<b>6.4%</b>	<b>3,916,275</b>	<b>10,591,241</b>	<b>11,808,065</b>	<b>10,395,143</b>	<b>\$6.24</b>	<b>\$2.62</b>	<b>\$2.89</b>

\* 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	7.2%	7.3%	32,330	34,847	0	0	\$6.24
Warehouse	1,035	198,926,602	6.2%	6.4%	3,883,945	10,556,394	11,808,065	10,395,143	\$2.62
<b>Total</b>	<b>1,371</b>	<b>212,515,502</b>	<b>6.2%</b>	<b>6.4%</b>	<b>3,916,275</b>	<b>10,591,241</b>	<b>11,808,065</b>	<b>10,395,143</b>	<b>\$2.89</b>

\* Direct weighted average \$/psf

**Get more  
market  
information**

Lauren Goddard  
Vice President, Operations  
901.231.1406  
lauren.goddard@avisonyoung.com

Shea Stock  
Research Analyst  
901.410.4551  
shea.stock@avisonyoung.com



avisonyoung.com

