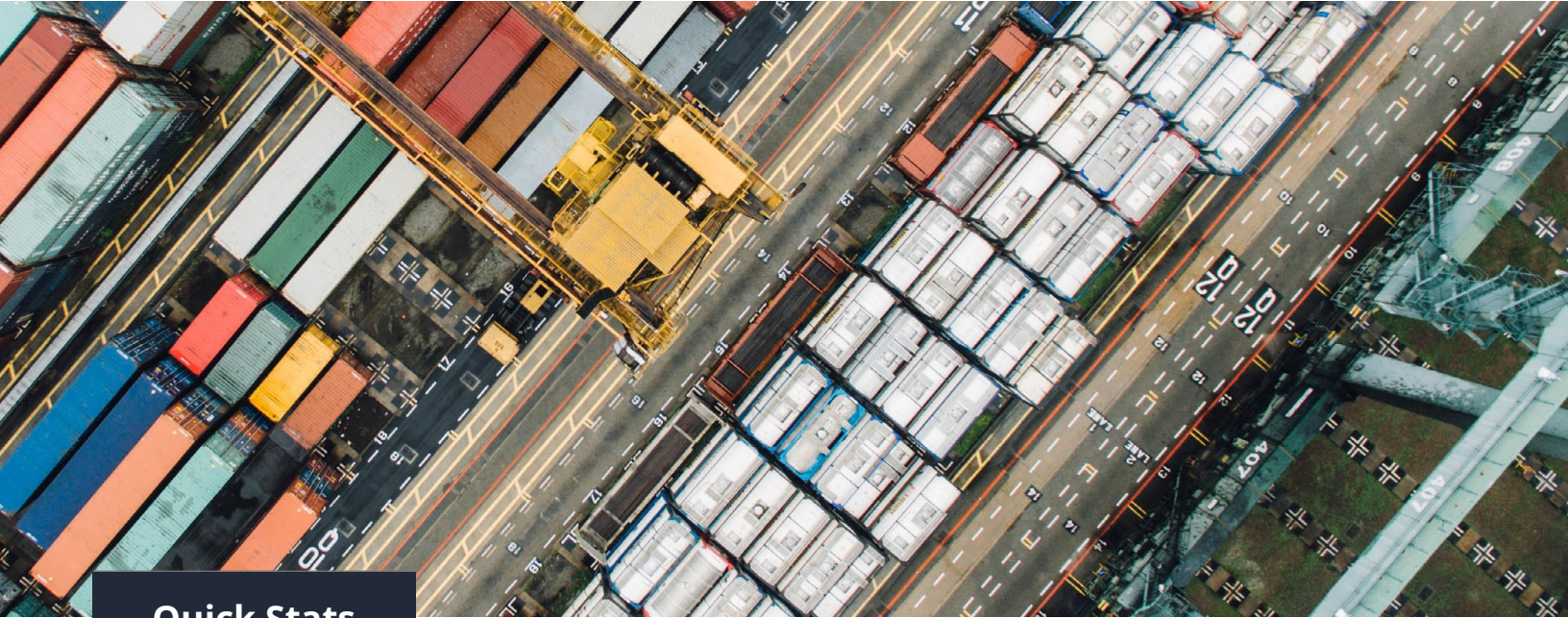


# Memphis, TN



## Quick Stats

**11.8%**

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

**6.3%**

Direct Vacancy Rate  
+0.1 pp YOY

**6.7 msf**

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

**\$2.92 psf**

Direct Asking Rental Rate  
(Weighted Average)

**14.7 msf**

Industrial Product Under  
Construction

Memphis continues to see disruption in the economy due to the novel coronavirus (COVID-19) pandemic. According to the Federal Reserve Bank of St. Louis, economic activity has improved moderately from the previous quarter, notably unemployment and spending; however, rebounding from months of economic turmoil has yet to occur. The return of students to school and local regulations loosening for businesses to reopen has spurred an increase in spending. Industrial real estate has virtually been unscathed by the pandemic while office and retail are bearing most of the burden. Although the market has slowed somewhat, there is still significant demand for industrial product.

### Leasing

More than 3.5 million square feet (msf) of new leasing activity, in addition to 3.1 msf of lease renewals, was reported this quarter. The direct vacancy rate recorded 6.3%, a decrease of 0.4 percentage points (pp) from second quarter of 2020 and an increase of 0.1 pp from the same time last year. In the quarter's largest transaction, Hamilton Beach leased 1,021,670 sf at a new build-to-suit distribution warehouse in Marshall County that is projected to deliver in second quarter of 2021.

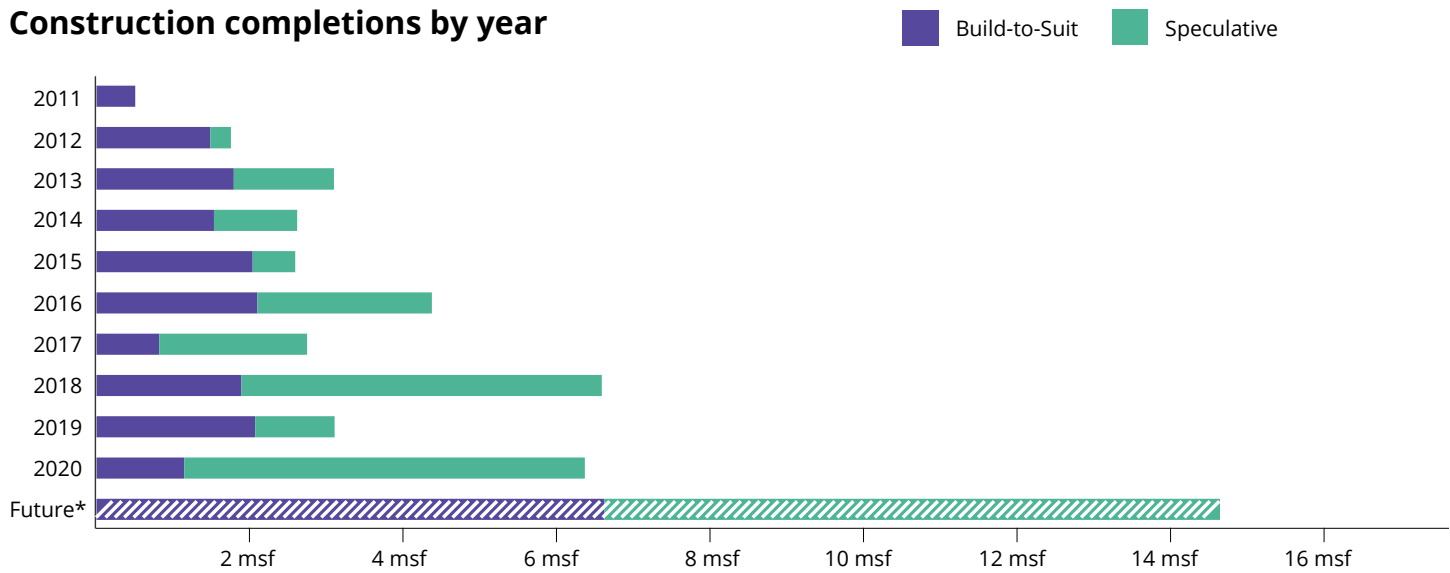
### Sales

Industrial investor demand has been active due to low interest rates, favorable spreads and strong fundamentals. The most notable sale in this quarter came from RealOp Investments purchasing the former Nike facility, a vacant 817,000-sf warehouse space, for \$16 million. This sale made headlines in what has been a quiet buyer's market during the public health crisis. Liquidity in the debt markets have been a concern, but for the right opportunity, lenders are available and interest rates and spreads are attractive. The uncertainty in the market has led both sellers and buyers to sit on the sidelines while the markets stabilize, putting some negative pressure on sales prices in the sector.

### Construction

A total of 14.7 msf of industrial product is underway, including 8.3 msf of speculative projects and 6.4 msf of build-to-suit projects, shattering previous market records and demonstrating the demand for space in the Memphis industrial market. Three buildings totaling 2.3 msf delivered to the market this quarter with 100% of the new spaces leased prior to completion. An additional 4.5 msf of industrial space is expected to deliver to the market by the end of the year.

### Construction completions by year



\* Product currently under construction

### Top leases

| Tenant             | Property                              | SF        | Submarket       | Type     |
|--------------------|---------------------------------------|-----------|-----------------|----------|
| Ford Motor Company | Tuggle Distribution Center            | 1,135,453 | Southeast       | Renewal  |
| Hamilton Beach     | Hamilton Beach BTS                    | 1,021,670 | Marshall County | New      |
| Helen of Troy      | DeSoto 55 Logistics Center Building B | 200,167   | DeSoto County   | Sublease |
| Jimco Lamp         | 699 Research Dr                       | 514,590   | DeSoto County   | Renewal  |
| Material Bank      | I-22 Logistics Park Building B200     | 369,470   | DeSoto County   | New      |

### Top sales

| Property                 | Buyer                   | Seller                       | SF      | Price        | \$ PSF | Submarket |
|--------------------------|-------------------------|------------------------------|---------|--------------|--------|-----------|
| 8400 Winchester Rd       | RealOp Investments      | Stockdale Cap Prtnrs         | 813,591 | \$16,000,000 | \$20   | Southeast |
| 4049 Willow Lake Blvd    | Erxin Zhou              | Faropoint Investments        | 271,000 | \$8,699,680  | \$32   | Southeast |
| 7625 Appling Center Dr   | A-Z LRC I LLC           | Appling Center Investors LLC | 218,836 | \$6,350,000  | \$29   | Northeast |
| 11420 Gulfstream Dr      | Lineage Logistics       | W & D Arlington LLC          | 107,500 | \$5,000,000  | \$47   | Northeast |
| 4313 & 4299 Air Trans Rd | Now or Never Realty LLC | Faropoint Investments        | 74,400  | \$2,852,976  | \$38   | Southeast |



### Market by the numbers

#### 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         | 4.6%                | 4.8%                 | 45,847                | 100,196          | 0                  | 0                | \$7.39                       | \$5.67        | \$6.86        |
| Southeast   | 488          | 87,179,014         | 7.0%                | 7.1%                 | 218,264               | 861,527          | 2,028,280          | 0                | \$5.74                       | \$2.76        | \$2.94        |
| Northwest   | 76           | 12,993,044         | 20.7%               | 20.7%                | -99,211               | -209,522         | 2,050,502          | 0                | N/A                          | \$0.87        | \$0.87        |
| Southwest   | 348          | 29,731,216         | 5.0%                | 5.0%                 | -119,701              | 367,363          | 0                  | 0                | \$3.73                       | \$2.11        | \$2.24        |
| DeSoto County   | 158          | 49,656,624         | 2.7%                | 3.4%                 | 2,390,980             | 3,756,889        | 7,065,404          | 3,764,971        | N/A                          | \$3.90        | \$3.90        |
| Marshall County<br><small>* includes Fayette County</small> | 45           | 14,690,599         | 5.5%                | 6.0%                 | 892,620               | 1,797,200        | 3,520,610          | 2,602,990        | N/A                          | \$3.75        | \$3.75        |
| <b>Total</b>  | <b>1,364</b> | <b>208,489,300</b> | <b>6.3%</b>         | <b>6.5%</b>          | <b>3,328,799</b>      | <b>6,673,653</b> | <b>14,664,796</b>  | <b>6,367,961</b> | <b>\$6.25</b>                | <b>\$2.65</b> | <b>\$2.92</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         | 7.4%                | 7.5%                 | 11,856                | 1,204            | 0                  | 0                | \$6.25                       |
| Warehouse    | 1,028        | 194,900,400        | 5.8%                | 6.1%                 | 3,316,943             | 6,672,449        | 14,664,796         | 6,367,961        | \$2.65                       |
| <b>Total</b> | <b>1,364</b> | <b>208,489,300</b> | <b>6.3%</b>         | <b>6.5%</b>          | <b>3,328,799</b>      | <b>6,673,653</b> | <b>14,664,796</b>  | <b>6,367,961</b> | <b>\$2.92</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

**AVISON  
YOUNG**

avisonyoung.com

