

MEMPHIS INDUSTRIAL MARKET BEGINS TO NORMALIZE AFTER YEARS OF ROBUST GROWTH BY HANK MARTIN (SOUTHEAST REAL ESTATE BUSINESS ARTICLE)

In January of 2023, the Memphis industrial market was coming off multiple years of record-breaking growth, however we seem to be trending back to somewhat normal growth pattern. The Memphis industrial market was fueled by the pandemic as is many other markets. Economic factors also influence the market as well. First and foremost is the uncertainty in interest rates and uncertainty in construction cost. With all of this, we do see signs of stability in the market. Many say we need to survive until 2025.

Memphis' industrial market continues to do well mid-year. With over nine million sf of product delivered over the past 12 months and an additional six million under construction. Net absorptions totaled approximately seven million over the past 12 months. Rent growth has also remained strong, just under 9%. This is with an average rent of \$5.30 PSF which is still well below the national average. While the higher-than-normal supply of space may push this vacancy rate above the current 6% market average, the market should remain stable long term.

As one would expect, investment sales market has slowed. This trend will likely continue in 2023 while investors and lenders struggle with how to deal with higher interest rates and growing economic uncertainty. Some institutional and large investors with cash or previous credit lines will be able to continue to find properties to purchase with strong fundamentals. In the past 12 months there have been approximately 195 transactions with just over 500 million total investments. Moving forward with Memphis relatively higher cap rate and lower acquisition prices, investors will still look to find opportunities within the market.

The Memphis market construction pipeline for the remainder of 2023 has over six million sf under way. The current pipeline is trending toward small to medium size product as the million-sf prospective pipeline is slowing. While most of the product is unleased, there is positive activity. This will most likely raise current vacancy rates for the next 12 months. With this higher vacancy, most developers do not have any plans for breaking ground on speculative projects until a more stable environment begins to play out.

The most significant construction project underway is, Ford's Blue Oval City. Ford announced its plans to build one of the largest electric vehicle manufacturing plants in the nation located at Memphis Regional Megasite, in Stanton. Ford is partnering with South Korean Battery Company SK Innovation, to build the \$5.6-billion, 3,600-acre campus, which will add approximately 6,000 new jobs when it opens in 2025. Construction has already begun, with Ford breaking ground in September 2022. This project will likely lead to a large demand for warehousing and distribution space in the area as suppliers seek to locate near the new plant to service the facility.

The Memphis industrial market will continue to grow at a steady pace. As I said earlier, I believe the market will normalize. While the rest of the year may see less leasing and sales activity, the Memphis market was fueled by the pandemic and is just beginning to stabilize. I see a positive future in the Memphis market as it continues with strong demand for bulk distribution and low cost when compared to other markets.



NAI Saig Company is a market leading, full-service commercial real estate brokerage firm. Our operation in Memphis and the Mid-South began in 1963. We provide a full range of services including industrial, office, retail, land representation, tenant representation, and investment brokerage. Our wide array of services coupled with our depth of experience provide uniquely tailored results for our clients.

INDUSTRIAL TRENDS, OFFICE TRENDS, RETAIL, & MULTIFAMILY TRENDS

INDUSTRIAL		OFFICE		RETAIL		MULTIFAMILY	
Inventory SF	326M	Inventory SF	59M	Inventory SF	92.3M	Inventory Units	98,861
Market Rent/SF	\$5.23	Market Rent/SF	\$20.90	Market Rent/SF	\$15.81	Market Rent/SF	\$1,115
Under Constr SF	5.2M	Under Constr SF	382K	Under Constr SF	658K	Under Constr Units	2,891
Annual Rent Growth	8.6%	Annual Rent Growth	1.8%	Annual Rent Growth	3.7%	Annual Rent Growth	1.3%
12 Mo Net Absorp SF	8.3M	12 Mo Net Absorp SF	\$180K	12 Mo Net Absorp SF	257K	12 Mo Absorp Units	(1,731)
Market Sale Price/SF	\$55	Market Sale Price/SF	\$128	Market Sale Price/SF	\$139	Market Sale Price/SF	\$95.1K
Vacancy Rate	6.2%	Vacancy Rate	10.4%	Vacancy Rate	3.5%	Vacancy Rate	13.1%
12 Mo Sales Vol	\$522M	12 Mo Sales Vol	\$180M	12 Mo Sales Vol	\$462M	12 Mo Sales Vol	\$428M

Source: Costar News

NOTABLE TRANSACTIONS



LEASED

Henry Webb represented the landlord on the lease at 1890 E Brooks Rd for 18,750 SF.



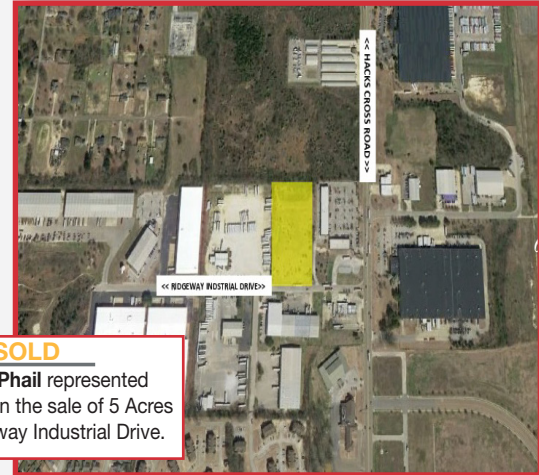
SOLD

Brian Califf represented the seller on the sale of 191,000 SF at 391 E Mallory Avenue.



LEASED

Hank Martin represented the landlord on the lease at 4259 Delp St for 165,600 SF.



SOLD

Daniel McPhail represented the seller on the sale of 5 Acres at 0 Ridgway Industrial Drive.

OUR TEAM



Edward Saig, SIOR, CRE



Hank Martin, CCIM, SIOR



Laura Saig Martin



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Daniel McPhail, SIOR



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