

# INVESTMENT FORECAST

Industrial  
Memphis

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Locational Advantage and Supply Chain Infrastructure Aid Industrial Performance Amid E-Commerce Boom

**Shipping firms drive need for industrial space in Memphis.** The city's central location has contributed to an agglomeration of shipping and logistics firms in the metro, creating a favorable cluster for industrial assets. The Memphis International Airport is a central point for these firms, highlighted by FedEx's hub, the firm's largest in the country. The city recently invested \$500 million to support additional cargo operations, boosting demand for nearby space. Southeastern Memphis, adjacent to the airport, is home to roughly 35 percent of the metro's inventory, and booming demand led the submarket to record net absorption above 6 million square feet in 2021. Despite record-breaking construction in 2021, demand was even stronger, resulting in a 50-basis-point drop in vacancy last year. The metro's rail system and access to the Mississippi River through the Port of Memphis augment the airport to create ample distribution methods for firms. These factors contribute to vacancy reaching its lowest year-end measure on record this year.

**Assets near distribution hubs pique investor interest.** The presence of the largest cargo airport in the world has driven investors to target assets close to major transport routes in the metro. Due to their proximity to the airport, Southeast Memphis and neighboring DeSoto County report the most sales, commonly involving warehouses with more than 150,000 square feet. High levels of tenant interest mean these assets trade at premium price points, especially in DeSoto County, with cap rates in the mid-4 percent range for large and stabilized assets. Similar per-square-foot price points are reported in Northeast Memphis, but top-line entry costs are lower, as buildings here are rarely above 50,000 square feet in size. Investors looking for higher yields will target older assets in Southwest Memphis, particularly near the Port of Memphis, for their value-add potential.

## 2022 Market Forecast

**Employment**  
up 1.5%



Employers are set to add 10,000 jobs in 2022, aiding in the metro surpassing the pre-pandemic total by roughly 6,000 roles.

**Construction**  
6.5 million sq. ft.



After the completion of more than 10 million square feet in each of the last two years, development will ease significantly in 2022. DeSoto County remains a popular locale for builders.

**Vacancy**  
down 20 bps



The retreat in construction will work in unison with surging demand to cut vacancy to just 6.0 percent by year-end. In 2021, vacancy fell 50 basis points.

**Rent**  
up 5.0%



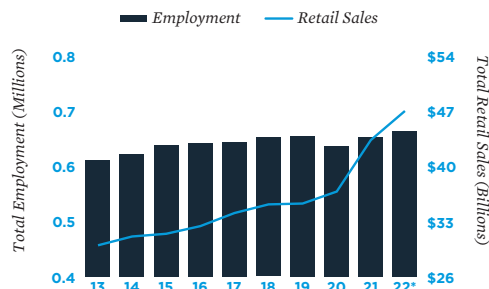
After climbing 8.1 percent in 2021, the average asking rent will grow to \$3.80 per square foot in 2022. These rates are the lowest of major shipping hubs and will aid tenant demand.

**Investment**

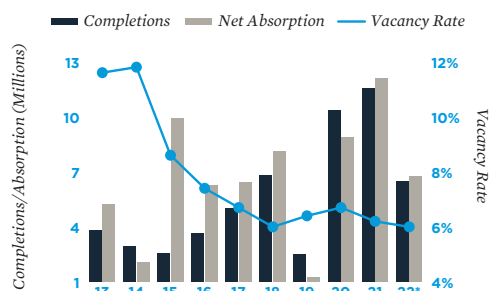


Investors may increasingly target assets in north Fayette County in the years to come, as Ford continues work on its new EV factory along Interstate 40 — slated for completion in 2025.

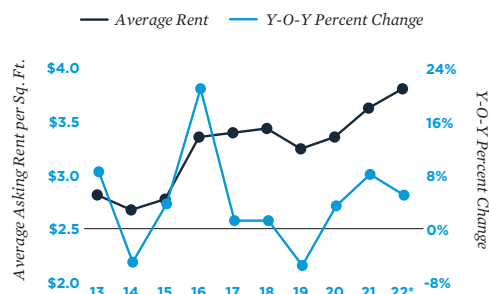
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

### Al Pontius

Senior Vice President  
Director IPA Industrial  
Tel: (415) 963-3000 | apontius@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.