INVESTMENT FORECAST

Industrial

Memphis

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026

Logistics and Manufacturing Realignment Create Foundation For New Growth Cycle

Inland advantages underpin industrial comeback. Memphis may be on the cusp of an industrial resurgence, as supply-chain shifts and industrial policy structurally reshape freight and manufacturing networks in favor of inland hubs. Few metros are better positioned, as Memphis hosts five Class I railroads and Memphis International Airport (MEM), the busiest cargo airport in North America. Demand is already evident, as large-bay leasing surged more than 60 percent over the year ended in March, topping 20 million square feet and tightening vacancy around MEM in the southeast and southwest. Notably, manufacturing vacancy compressed more than 200 basis points over the past year, with Ford's BlueOval City and Amplify's battery cell plant anchoring a growing advanced manufacturing pipeline. This activity should also attract small-bay tenants serving in support and supplier roles. At the same time, job growth from these major investments and Memphis' low cost of living could help revive domestic in-migration and further aid the small-bay segment where leasing has lagged.

Demand may lift investor sentiment. Large manufacturing investments are widening the industrial base in Memphis, which has long been viewed as a freight hub. Less reliance on freight demand could ease investor risk perceptions and narrow the cap rate discount that opened after 2005, before which local yields sat below the U.S. average. Infill assets may remain compelling in the northeast and northwest along Interstate 40, where small-bay vacancy has held near 4 percent, versus over 7 percent around MEM. DeSoto County, the metro's fastest-growing county, could also draw interest. There, small-bay vacancy along Interstate 55 remains below 1 percent, while Mississippi's 15 percent assessment ratio compares favorably with Tennessee's 40 percent.

2026 MARKET FORECAST

+0.3% — **Employment:** With a forecasted net gain of 2,000 jobs in 2026, near-term uncertainty is expected to weigh on hiring, even as a growing industrial base raises the long-term outlook.

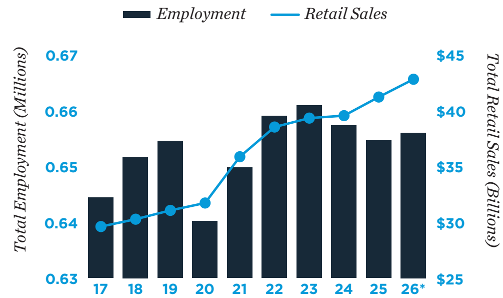
20,000 *sq. ft.* — **Construction:** Deliveries remain scant for a third consecutive year, after an average of 10 million square feet opened annually from 2020 to 2023, helping funnel tenants into existing space.

-30 bps — **Vacancy:** A gradual rebound in net absorption and minimal new supply helps vacancy fall for the first time in four years. At 8.9 percent, the rate will be 230 basis points above the past decade average.

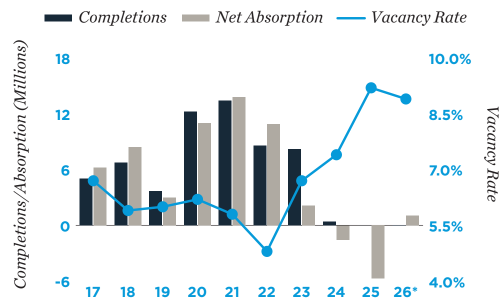
+1.3% — **Rent:** While the prior supply wave added modern space that lifted asking rents, elevated vacancy slows rent growth as owners offer concessions, with the average rate reaching $5.55 per square foot.

INVESTMENT: *St. Jude's multibillion-dollar campus expansion and Regional One's plan for a billion-dollar-plus hospital could draw small-bay investors to the downtown-to-midtown healthcare corridor.*

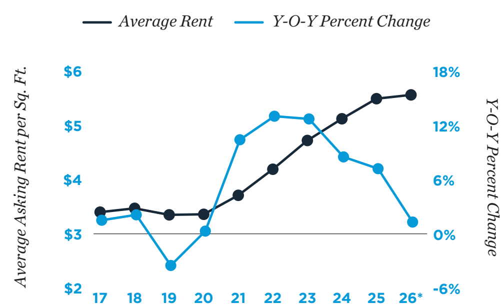
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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