

MARKET FUNDAMENTALS		
	YOY Chg	12-Month Forecast
<b>7.6%</b> Vacancy Rate	▲	▬
<b>923K</b> Net Absorption, SF	▼	▼
<b>\$4.19</b> Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▬	▬
ECONOMIC INDICATORS		
	YOY Chg	12-Month Forecast
<b>651K</b> Memphis Employment	▼	▲
<b>3.9%</b> Memphis Unemployment Rate	▼	▲
<b>4.1%</b> U.S. Unemployment Rate <i>Source: BLS</i>	▲	▼

**ECONOMY**

In the third quarter of 2024, the U.S. economy displayed a moderate level of growth despite persistent challenges. GDP growth was tracking at approximately 3%, reflecting stable consumer spending and business activity (Calculated Risk). Inflation pressures have slightly eased, with the CPI expected to finish around 2.3% for Q3 (Federal Reserve Bank of Philadelphia), while unemployment remained relatively low, hovering near 4%.

However, high interest rates and concerns surrounding potential future economic slowdowns continue to weigh on market sentiment. The Federal Reserve's cautious stance and uncertainties tied to the upcoming election year also contribute to a more conservative economic outlook for the remainder of 2024 (EY US).

**DEMAND**

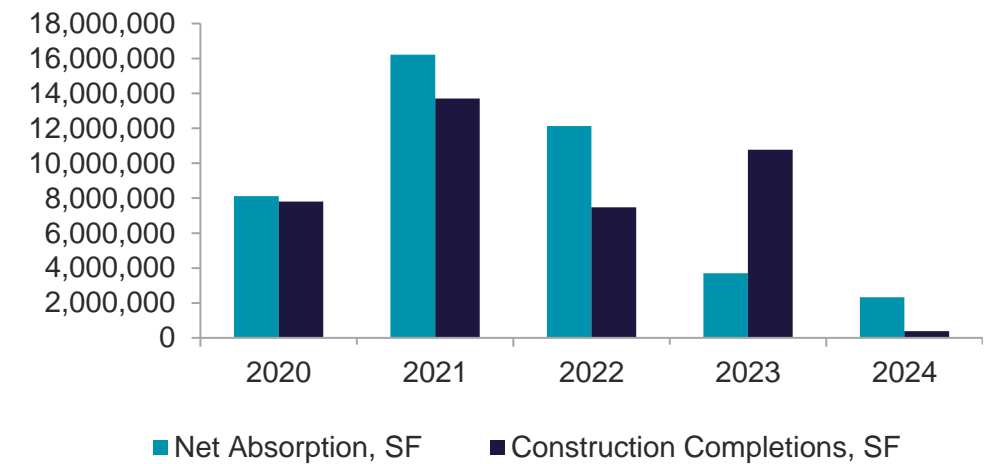
After six quarters of increasing vacancy, last quarter's decreasing vacancy was welcomed news, but it did not hold. Some of the expected momentum sparked in the previous reporting period fizzled, yet the Memphis market still saw positive net absorption of 923,259 square feet (sf) in the third quarter.

Deal volume remained static, however was slightly above second quarter levels at 2.4 million square feet (msf). Six such transactions were within new Class A space totaling over 1.5 msf. Of these, two exceeded 400,000, removing a couple bulk vacancies from the market.

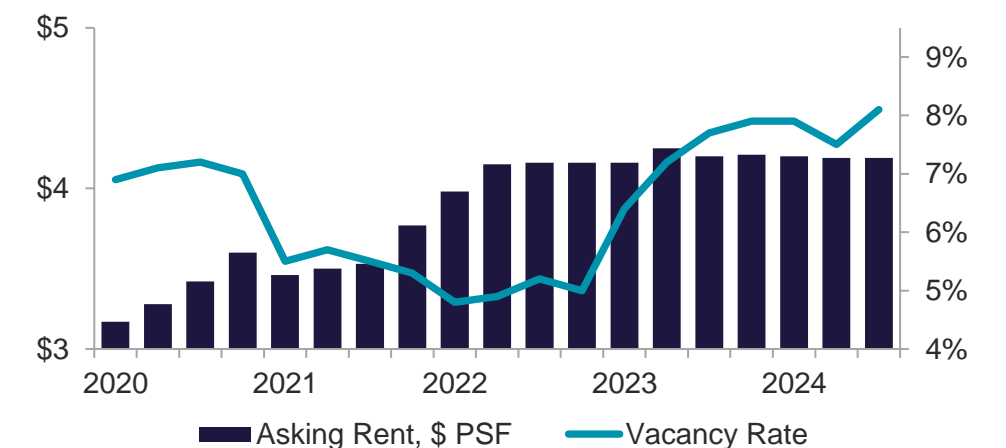
Perhaps most telling, there were nearly as many renewal transactions in Q3 as there were in the previous two quarters combined. We feel this indicates users are waiting to see how the market and presidential election trends as they are renewing in place with shorter term deals. Landlords do have leverage in these scenarios.

Capital markets appear to be thawing with several portfolios in the market, and with expected decreases in interest rates, we anticipate more activity and closings in Q4.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



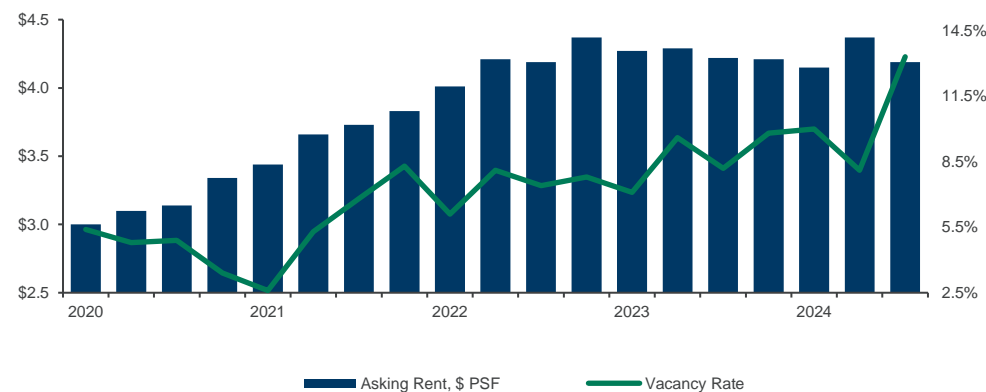
**CLASS A OVERALL VACANCY & ASKING RENT**



**SOUTHEAST OVERALL VACANCY & ASKING RENT**



**DESOTO OVERALL VACANCY & ASKING RENT**



**SUPPLY**

With construction starts continuing to be non-existent, supply remains relatively static. The overall vacancy rate rose to 7.6%, the highest its been since 2017 and 60 bps higher than it was one quarter ago.

There are 49 Class A availabilities totaling 19.4 msf. Sublease space totals just over 3 msf and makes up 15.7% of these options.

Those active in the market continue to have access to a variety of options, including newly constructed, modern buildings and well-maintained second-generation properties across all major submarkets.

Due to ongoing challenges such as persistent inflation, the uncertainty surrounding the upcoming presidential election, and the abundance of available properties, we do not anticipate any new construction starts in the remainder of 2024, with activity likely postponed until at least late 2025.

The only development is a 460,000 sf expansion currently under way in Marshall County.

**PRICING**

Average asking rents remain unchanged from Q2 at \$4.19 per square foot (psf). This aligns with the fundamentally static character of this quarter’s metrics.

Even with the bump in vacancy we haven’t seen large scale concessions in rates or escalations – yet. Annual escalations between 3-4% are market standard, and this has not changed with the recent softness in the market. Increases seem to have levelled off at 3.5% per annum.

**OUTLOOK**

- With interest rates expected to continue declining, investment sales should tick up.
- We expect development to remain on hold until bulk vacancies lease and the trifecta of construction costs, rental rate, and cap rates pencil.
- Pricing should hold for now; landlords & owners are asking for premiums on short-term renewals.
- We are still bullish on xAI’s influence in the market and expect more interest and investment in Memphis as Memphis becomes the center of the AI revolution.
- “Wait & see” will likely continue until we are, at minimum, past the November election.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Northeast	15,534,591	959,311	6.2%	-4,805	85,447	-	-	\$6.43	\$5.44	\$9.95
Southeast	114,031,814	3,888,487	3.4%	158,524	5,917	-	-	\$5.12	\$4.05	\$4.76
Northwest	28,001,085	2,455,527	8.8%	-25,500	200,264	-	-	\$2.44	\$3.16	\$8.18
Southwest	43,170,415	3,244,826	7.5%	740,421	911,720	-	-	\$4.32	\$3.99	\$8.96
Desoto County	74,484,698	9,910,596	13.3%	-284,661	798,794	-	-	\$4.67	\$3.98	\$8.33
Marshall County	33,948,280	2,958,843	8.7%	339,280	318,610	460,000	-	\$5.60	\$4.10	\$8.80
<b>MEMPHIS TOTALS</b>	<b>309,170,883</b>	<b>23,417,590</b>	<b>7.6%</b>	<b>923,259</b>	<b>2,320,752</b>	<b>460,000</b>	<b>-</b>	<b>\$4.56</b>	<b>\$4.01</b>	<b>\$7.81</b>

\*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2024

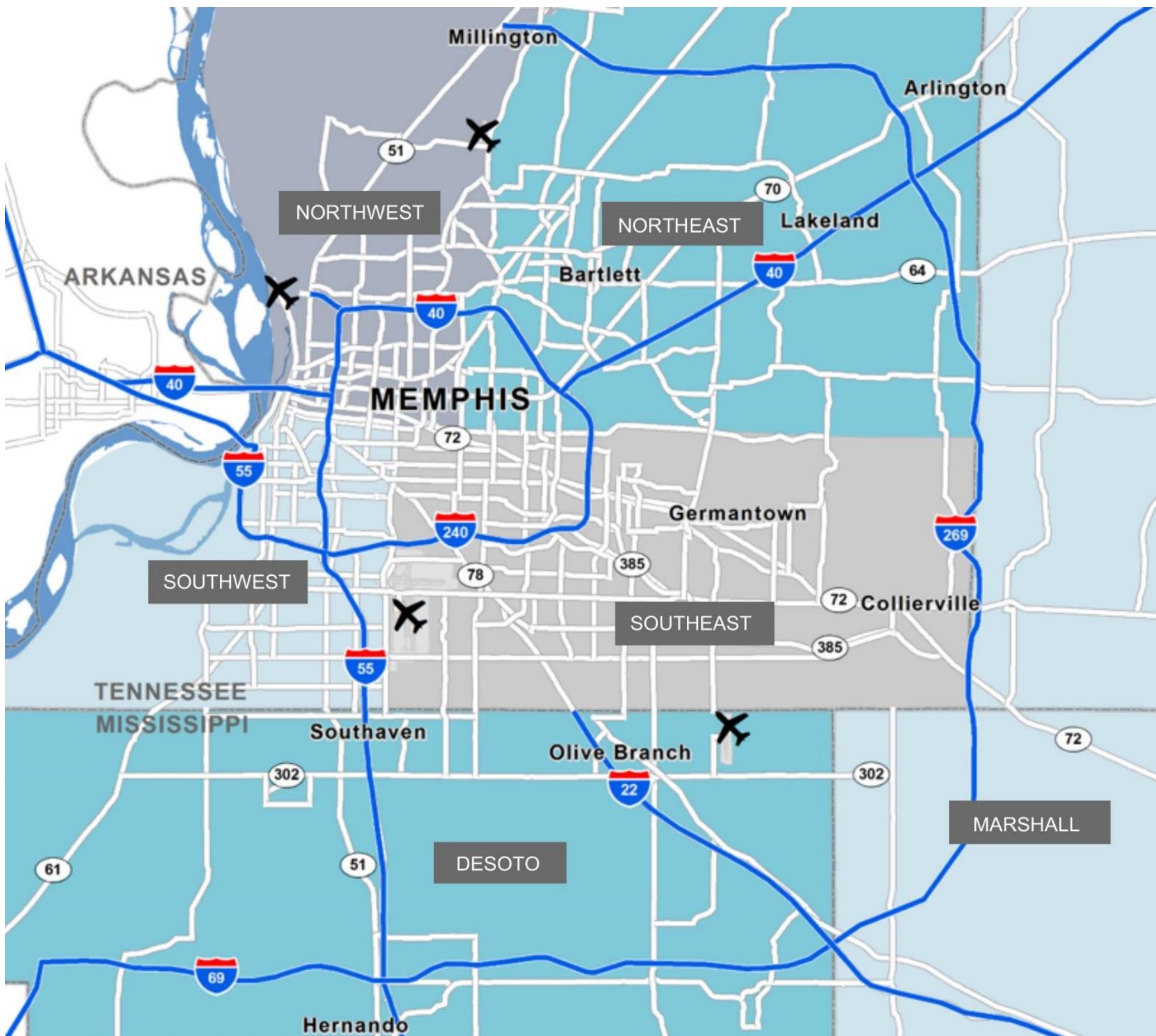
PROPERTY	SUBMARKET	TENANT	SF	TYPE
685 Highway 72	Fayette	MCR Safety	460,000	Expansion
6550 Polk Lane	DeSoto	National Distribution Centers, LLC	416,055	Expansion
4400 Quality Dr	Southeast	Crown Packaging	314,000	New
8690 Tulane Rd	Southeast	HORMEL FOODS Corp.	280,244	New
4221 Pilot Drive	Southeast	Chatt Transportation Services	200,000	Expansion

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
14-Building Portfolio	Southeast/Northeast	Investcorp / Plymouth REIT	1,595,099	\$100.5M / \$63
12-Building Portfolio	Southeast	Brookfield Properties / Faropoint	1,179,741	\$42.0M/ \$36
I-269 Logistics Center D	Marshall	Core 5 / Hillwood	957,400	Undisclosed

INDUSTRIAL SUBMARKETS



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