

FIGURES | MEMPHIS INDUSTRIAL | Q1 2025

# Normalized leasing levels continue into 2025



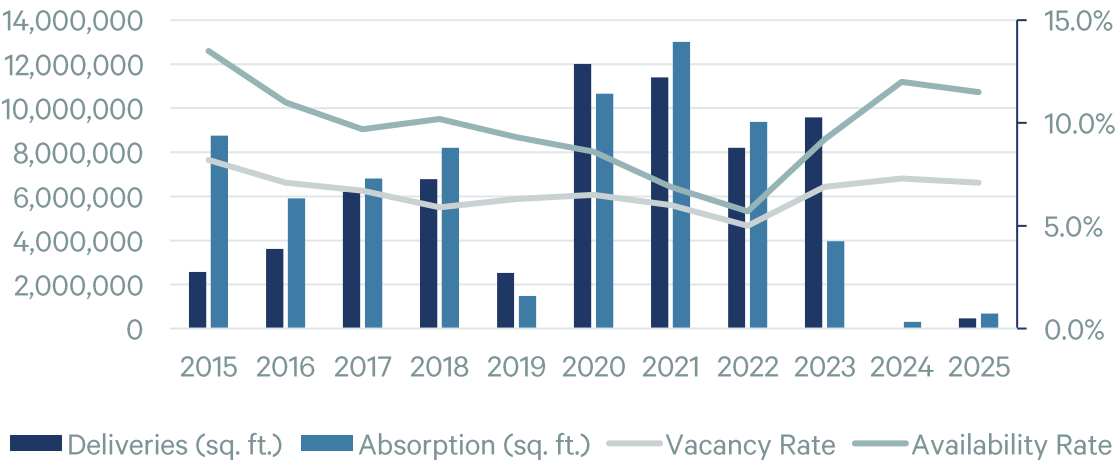
Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Net absorption returned positive in the first quarter of 2025, recording 678,410 square feet, in part, due to MCR Safety occupying their BTS expansion in Fayette County.
- The direct vacancy rate compressed 20 basis points due to higher levels of leasing activity and xAI’s acquisition of 1 million square feet at Stateline North Distribution Center.
- The average asking rental rate compressed 341 basis points to \$4.53/NNN per square foot, as landlords compete to capture tenant demand.

Following a weaker year of net absorption in 2024, the Memphis industrial market returned to positive absorption in the first quarter of 2025, recording 678,410 square feet of net absorption. This is largely attributed to xAI’s acquisition of a 1 million square foot property at Stateline North Distribution Center. The most active size bucket was between 100,000 and 200,000 square feet. New leasing activity totaled 1.6M square feet in Q1, a 122% increase quarter-over-quarter; however, subleases and short-term deals accounted for a large portion of leasing activity. Although there is a large discrepancy between the two quarters, this level of new leasing activity falls closely in line with the four-quarter average of 1.5M square feet. With higher levels of variability between quarters, this could be the new expectation for leasing activity expectations going forward.

FIGURE 1: Deliveries, Absorption & Vacancy Rate



Source: CBRE Research, Q1 2025

FIGURE 2: Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Avg Asking Lease Rate (\$)	Under Construction	Q1 2025 Net Absorption (SF)	YTD 2025 Net Absorption (SF)	Availability Rate (%)
Desoto County	76,149,459	8.1	\$ 4.70	0	451,226	451,226	11.8
Bulk Warehouse	69,146,311	8.9	\$ 4.70	0	451,226	451,226	14.3
Standard Distribution	6,663,805	0.1	\$ 6.09	0	0	0	4.9
Service Center	339,343	0.0	\$ 12.00	0	0	0	6.8
Fayette County	8,170,623	6.1	\$ 6.00	0	460,000	460,000	6.3
Bulk Warehouse	6,927,411	7.2	\$ -	0	460,000	460,000	7.2
Standard Distribution	1,205,712	0.0	\$ 6.00	0	0	0	1.3
Service Center	37,500	0.0	\$ -	0	0	0	0.0
Marshall County	22,294,175	8.5	\$ 4.39	2,138,000	0	0	20.4
Bulk Warehouse	21,461,527	8.8	\$ 4.39	2,000,000	0	0	20.8
Standard Distribution	769,642	0.0	\$ -	138,000	0	0	11.2
Service Center	63,006	0.0	\$ 13.50	0	0	0	2.8
Northeast	14,819,660	2.3	\$ 8.83	0	(61,750)	(61,750)	4.9
Bulk Warehouse	3,750,903	1.1	\$ 6.74	0	0	0	1.1
Standard Distribution	8,176,900	2.1	\$ 10.02	0	(38,000)	(38,000)	5.5
Service Center	2,891,857	4.4	\$ 10.48	0	(23,750)	(23,750)	8.4
Southeast	109,575,181	8.9	\$ 4.42	730,880	(1,097,471)	(1,097,471)	13.6
Bulk Warehouse	79,791,518	9.8	\$ 4.47	200,880	(1,035,520)	(1,035,520)	14.5
Standard Distribution	26,826,077	6.4	\$ 4.67	0	(93,935)	(93,935)	11.1
Service Center	2,957,586	7.1	\$ 7.32	530,000	31,984	31,984	9.5
Northwest	28,914,212	4.3	\$ 3.52	0	6,000	6,000	5.1
Bulk Warehouse	19,905,891	4.5	\$ 3.72	0	0	0	5.4
Standard Distribution	8,489,325	4.1	\$ 4.57	0	6,000	6,000	4.4
Service Center	518,996	1.7	\$ 7.00	0	0	0	4.0
Southwest	45,943,761	3.6	\$ 2.72	0	920,405	920,405	5.8
Bulk Warehouse	20,721,015	2.1	\$ 2.25	0	1,370,338	1,370,338	3.3
Standard Distribution	23,691,745	4.8	\$ 3.75	0	(449,933)	(449,933)	7.5
Service Center	1,531,001	6.6	\$ 5.62	0	0	0	10.9
Memphis MSA	305,867,071	7.1	\$ 4.53	2,868,880	678,410	678,410	11.5
Bulk Warehouse	221,704,576	8.0	\$ 4.52	2,200,880	1,246,044	1,246,044	12.7
Standard Distribution	75,823,206	4.5	\$ 5.27	138,000	(575,868)	(575,868)	8.1
Service Center	8,339,289	5.3	\$ 8.26	530,000	8,234	8,234	9.6

Source: CBRE Research, Q1 2025

## Q1 2025 Highlights

With record lease expirations coming in 2025, some of the space givebacks trends experienced in the previous year could accelerate in the coming quarters. Most vacancies in 2024 and the first quarter of 2025 have come from tenants consolidating their Memphis operations within their market, compressing their overall footprint. Space consolidations are also felt with the increase in sublease availabilities, which account for 2.3% of the total market inventory in the first quarter, as tenants attempt to shed excess, underutilized space leased during the pandemic surge. Additionally, with many sublease availabilities nearing expiration, this could put upward pressure on the vacancy rate in 2025. The additional sublease availabilities and potential future vacancies have put downward pressure on the average asking rental rate, due to landlords prioritizing occupancy over driving rental rate growth. The rate fell 341 basis points quarter-over-quarter to \$4.53/NNN per square foot. With some of the lingering first-generation space being leased and less down time, this trend could reverse in the second half of 2025.

Furthermore, the Memphis industrial market could be subject to greater volatility following the uncertainty surrounding tariffs. Due to the nature of Memphis being “America’s Distribution Center”, the market could benefit as outside companies search for alternative distribution channels to reduce cost. On the flip side, Memphis could struggle as overall consumer demand weakens causing less need for industrial space among existing tenants.

FIGURE 3: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
USPS	4550 Swinnea Road	337,655	Southeast	Renewal
Associated Packaging	4800 Southridge Boulevard	190,000	Southeast	Renewal
Vantive US Healthcare	8640 Nail Road	180,616	DeSoto County	New Lease
Canamex	190 Norfolk Southern Way	165,000	Marshall County	Sublease
Aercap Materials	6386 Global Drive	93,000	Southeast	Sublease

Source: CBRE Research, Q1 2025

FIGURE 4: Average Asking Rates (\$/sq. ft.)

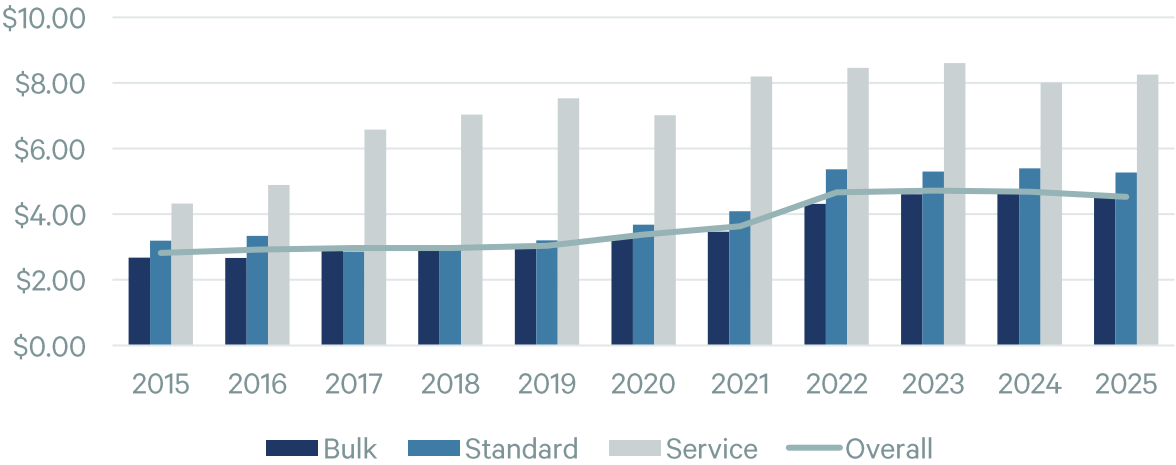
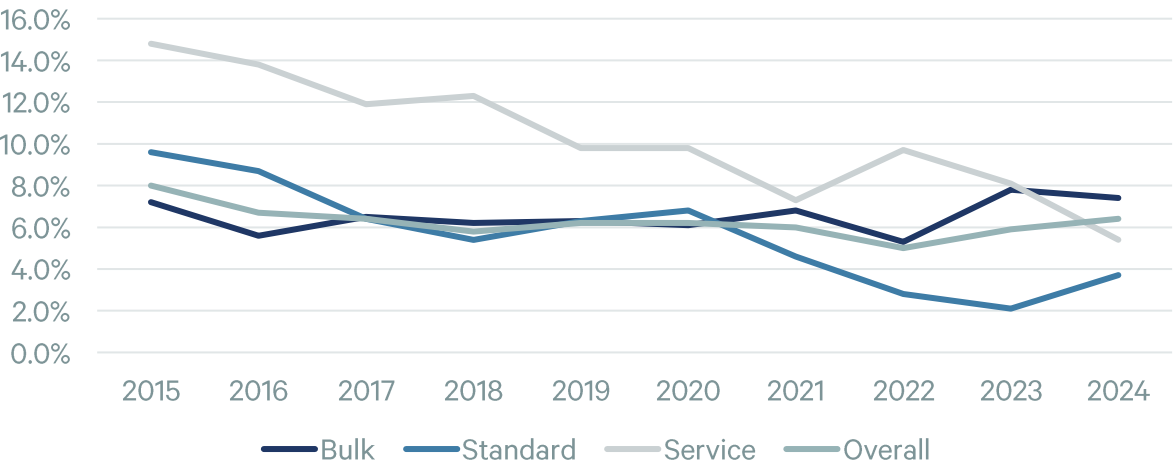
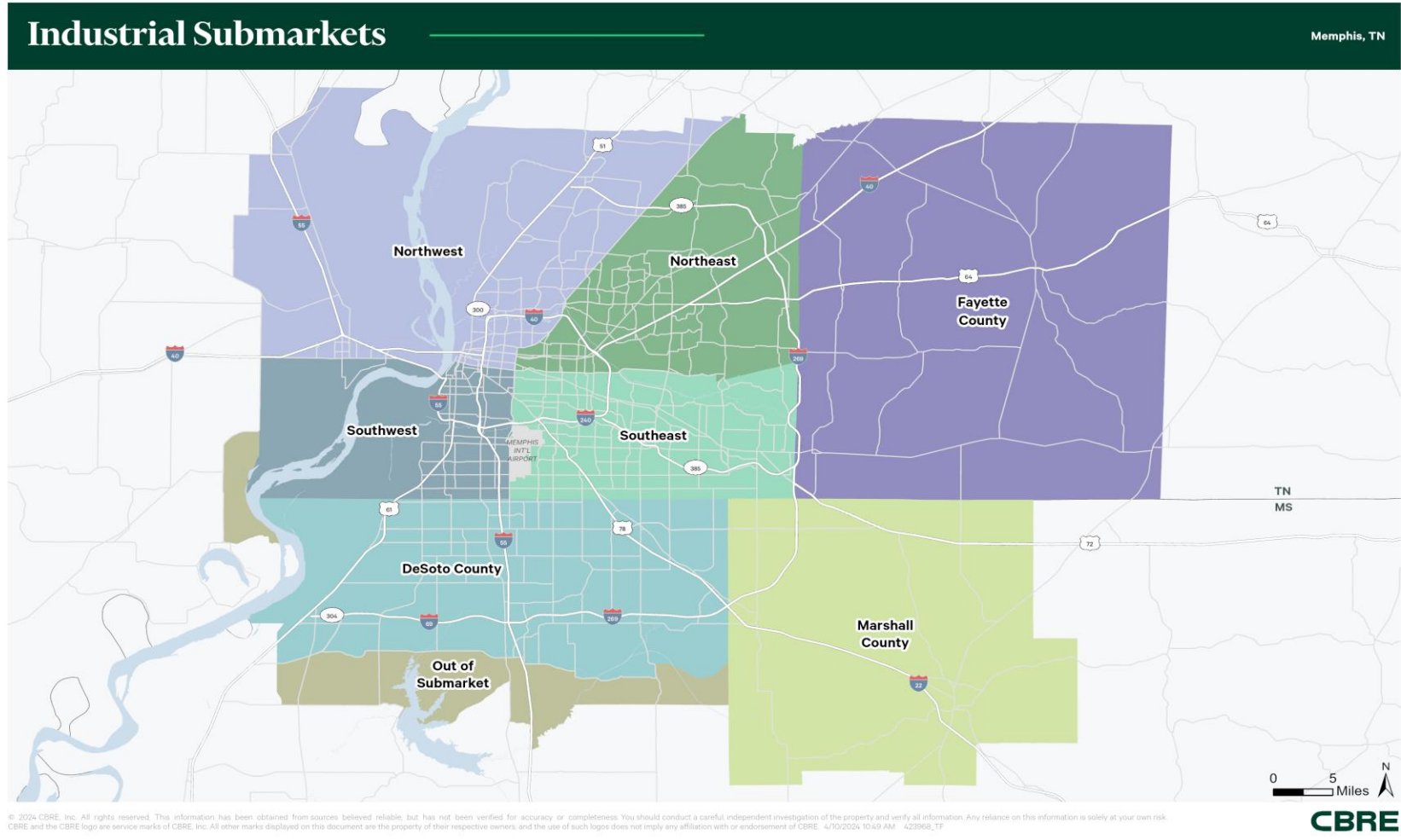


FIGURE 4: Direct Vacancy Rate





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