Industrial fundamentals improve with modest rent movement

▼6.0%
Vacancy Rate

▼ +863K
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 3.2M
SF Under Construction

▲ $4.59
NNN/YR Direct Lease Rate

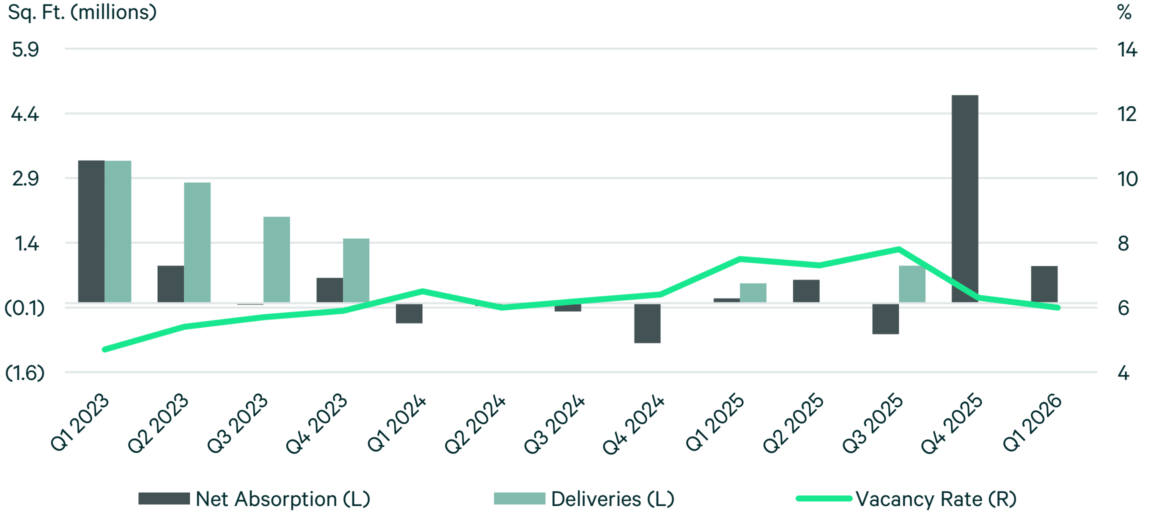
Note: Arrows indicate change from previous quarter.

Market Overview

After a run of negative net absorption through 2024, demand strengthened in 2025, culminating in 4.8 million sq. ft. of space absorbed in Q4 2025—driven largely by solar panel–related transactions—and a further 863,000 sq. ft. in Q1 2026. As a result, vacancy declined to 6.0% in Q1 2026, a 1.5-percentage-point year-over-year. Availability followed a similar pattern, falling from 11.7% in Q1 2025 to 10.0% in Q1 2026. Pricing remained disciplined despite these swings in occupancy. Average asking rents in Q1 2026 were $4.59 per sq. ft., essentially flat year-over-year and up 0.4% quarter-over-quarter.

U.S. economic growth remains resilient despite the cycle's maturity, with GDP expected to average 2.1%. However, concerns about the durability of this growth, elevated market volatility, and geopolitical risks—particularly Operation Epic Fury and energy prices—are weighing on credit and equity markets. While U.S. growth impacts may remain limited if oil prices stay near $80/bbl and the conflict is contained, inflation is forecast to rise to 3.2%, and further escalation would likely push inflation, long-term yields, and commercial real estate risks higher. For the Memphis industrial market, resilient growth supports logistics and distribution demand, but higher inflation and rates could temper leasing momentum and investment activity by raising occupancy costs and financing hurdles.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy

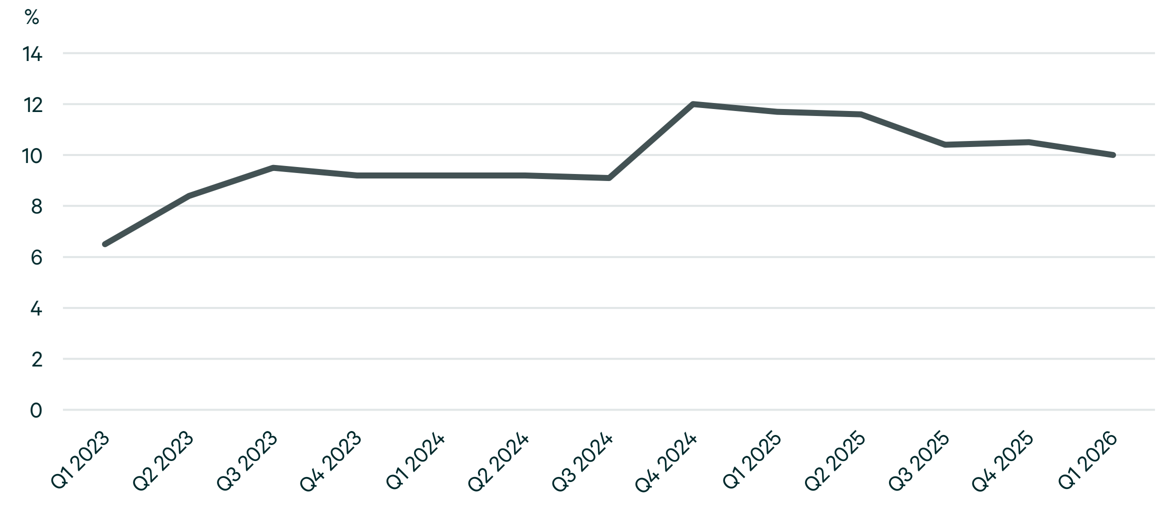


Source: CBRE Research, Q1 2026

Availability Rate

The market availability rate ended Q1 2026 at 10.0%, marking a notable year-over-year improvement from 11.7% in Q1 2025, though it remains materially higher than the 6.5% level recorded in Q1 2023. Availability peaked at 12.0% in Q4 2024 amid slowing tenant demand. Since then, the market has gradually tightened into early 2026, supported by steadily improving absorption and limited new space entering the market. A pronounced slowdown in speculative construction starts has played a key role in this trend, reducing future supply pressure. As a result, while availability remains elevated relative to pre-2023 norms, current dynamics suggest the market is stabilizing and avoiding the risk of prolonged, structural oversupply.

Figure 2: Availability Rate



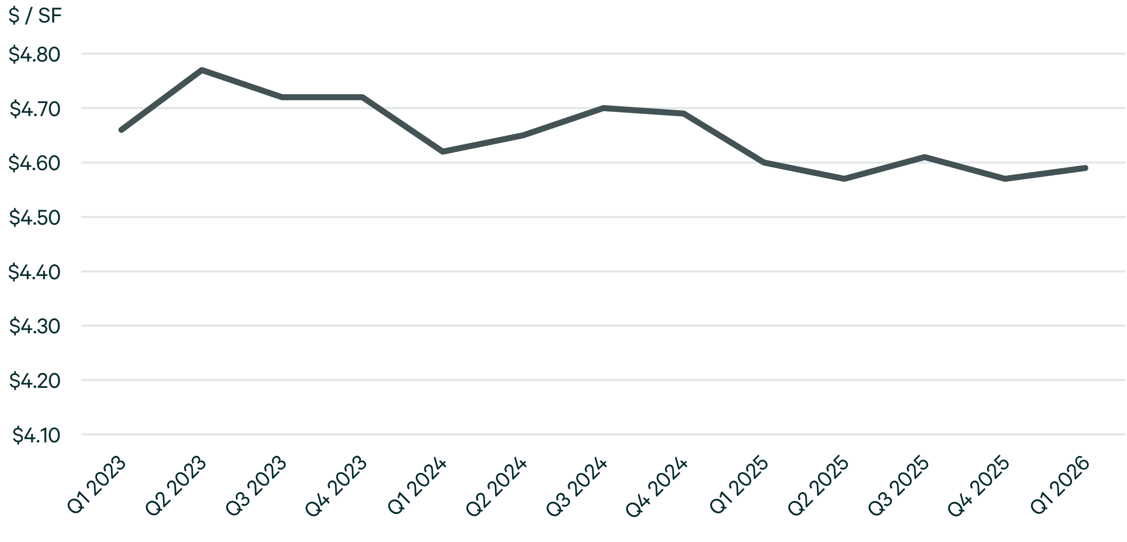
Source: CBRE Research, Q1 2026

Asking Rent

In Q1 2026, the overall market average asking rent reached $4.59 per sq. ft., reflecting modest upward pressure even as leasing conditions continue to normalize. The 0.4% quarter-over-quarter increase points to near-term stabilization, suggesting landlords are regaining some pricing leverage after a period of softer demand and elevated availability. However, the slight 0.2% year-over-year decline from Q1 2025 indicates that rent growth remains constrained on a broader basis, particularly for older or less-competitive product.

Rent performance continues to vary widely by submarket and asset quality. Pricing strength is most evident in select infill locations and newer, functionally modern facilities that offer superior access to transportation infrastructure and meet current tenant requirements for clear heights, loading efficiency, and trailer parking. In contrast, the Northwest and Southwest submarkets remain more price-competitive. This ongoing divergence underscores how location, building quality, and tenant demand profiles are shaping rental outcomes across the market, with well-located, high-quality assets outperforming amid a more balanced supply-demand environment.

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Net Absorption

The market recorded positive net absorption of 863,000 sq. ft. in Q1 2026, marking a meaningful moderation from the exceptionally strong 4.8 million sq. ft. absorbed in Q4 2025 primarily attributed to solar panel storage requirements, but a notable improvement over the 109,000 sq. ft. recorded in Q1 2025.

Absorption gains were led by the Marshall County submarket, which posted 616,000 sq. ft. of positive net absorption during the quarter. Activity in the submarket was anchored by Jabil's user purchase, though overall gains were partially offset by IG Design's vacancy of 892,620 sq. ft., highlighting the sizable impact of large tenant move-outs on quarterly totals. Despite this give-back, Marshall County remained the primary driver of market absorption.

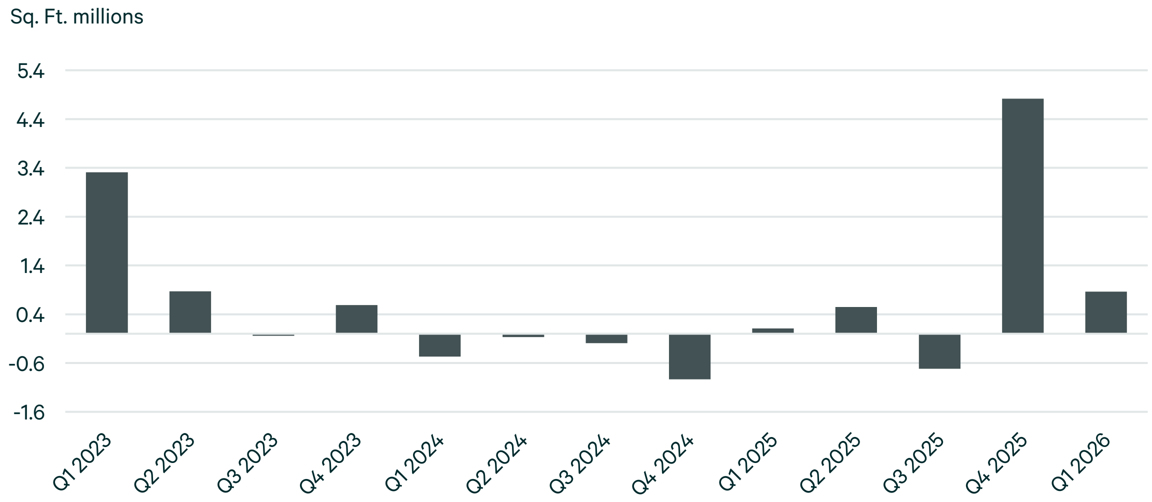
The Southwest submarket recorded 246,000 sq. ft. of positive net absorption, supported largely by Supply Chain Solutions' lease of 207,964 sq. ft., with minimal tenant give-backs elsewhere in the submarket. In the Southeast, absorption was bolstered by leasing activity from Amazon, MLGW, and STG Logistics, though these gains were partially offset by Cummins vacating 403,378 sq. ft. at 5800 Challenge Drive.

In contrast, DeSoto County posted negative net absorption of 171,000 sq. ft., driven primarily by GE's 212,000 sq. ft. space give-back. Overall, Q1 2026 absorption trends illustrate a market increasingly shaped by large single-tenant decisions, with positive leasing momentum tempered by strategic consolidations and move-outs across several submarkets.

Construction Activity

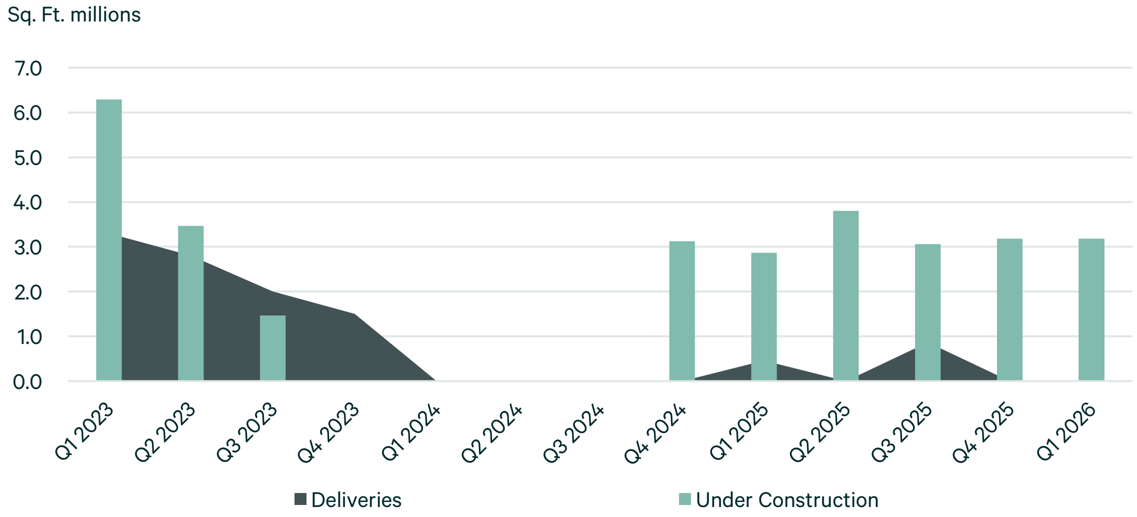
The market recorded no new deliveries during Q1 2026, providing temporary relief amid elevated availability, while a total of 3.2 million sq. ft. remained under construction. This pause in completions reflects the broader slowdown in speculative development and contributes to a more measured supply outlook over the near term. Construction activity is heavily concentrated in Marshall County, underscoring its growing role as a key hub for large-scale industrial development. Notable projects include the 2.0 million sq. ft. Amplify Cell Technologies heavy manufacturing facility in Byhalia and Amazon's 934,000 sq. ft. build-to-suit at Gateway Global Logistics Center. Outside of Marshall County, construction remains limited, with ongoing work on the 126,000 sq. ft. Pyramex Safety Products expansion in Fayette County and Ajax Distributing Company's 120,000 sq. ft. facility in the Northeast submarket. Overall, the composition of the active pipeline—dominated by user-driven projects—suggests limited risk of near-term oversupply.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity

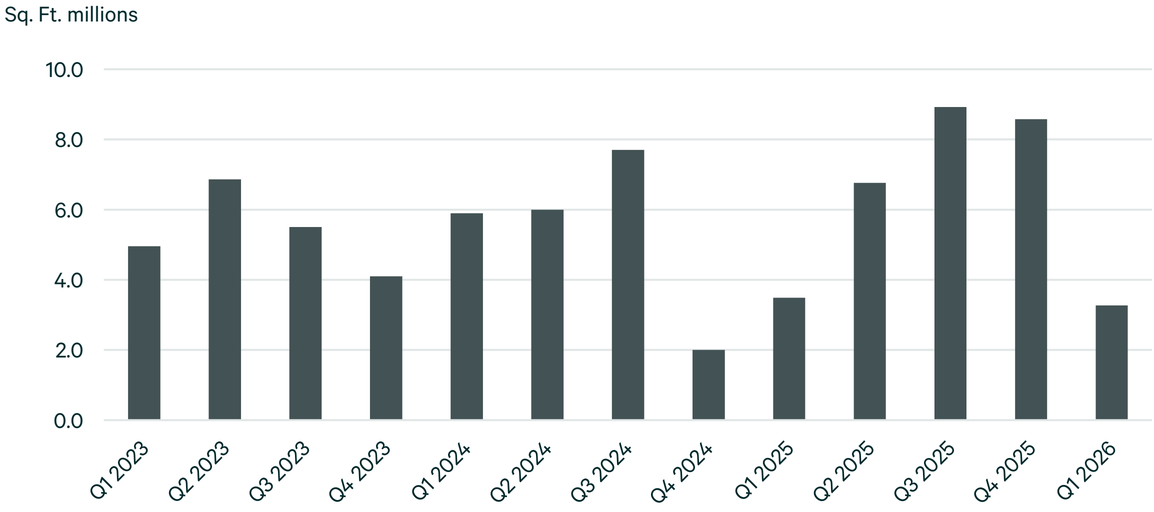


Source: CBRE Research, Q1 2026

Leasing Activity

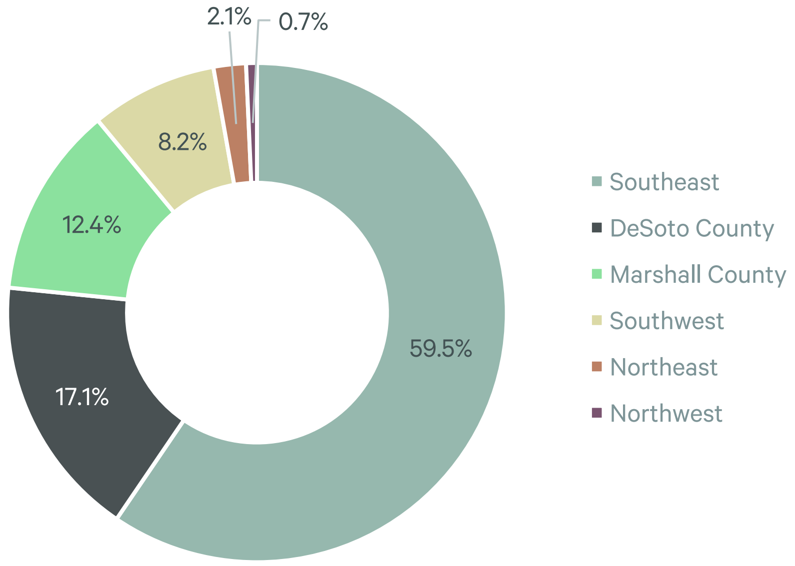
Leasing activity in Q1 2026 totaled approximately 3.3 million sq. ft., reflecting solid tenant engagement across the market, with roughly 1.9 million sq. ft. attributable to new leases and expansion activity. The Southeast submarket dominated activity, accounting for 2.0 million sq. ft., or 59.5% of total leasing, driven by a mix of large new leases and renewals from logistics, manufacturing, and public-sector users, including notable transactions by Varsity Brands, Memphis Light, Gas and Water, Scan Global, and multiple renewals in established industrial parks. DeSoto County captured 560,000 sq. ft. (17.1%) of leasing volume, largely supported by renewals and a notable sublease transaction, while Marshall County posted 400,000 sq. ft. (12.4%), led by ODW Logistics' new lease. The Southwest submarket recorded 300,000 sq. ft. (8.2%), anchored by Supply Chain Solutions' lease, while activity in the Northeast and Northwest remained limited. Overall, leasing trends highlight continued strength in the Southeast logistics corridor and ongoing tenant preference for well-located, functional space, with renewals playing a meaningful role alongside new leasing activity.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
ODW Logistics	403,000	New Lease	100 Nemec Way	Marshall County
Varsity Brands	301,000	New Lease	5300 Hickory Hill Rd	Southeast
Supply Chain Solutions	208,000	New Lease	1910 Danielson Pl	Southwest
F&W Transport	180,000	Renewal	4268 Chrysler Dr	Southeast
Style Craft Home Collection	167,000	Renewal	8474 Market Place Dr	DeSoto County
Memphis Light, Gas and Water Division	160,000	New Lease	4400 Quality Dr	Southeast
Scan Global Logistics	160,000	New Lease	4400 Delp St	Southeast
Ubiquiti	160,000	Renewal	6200 Global Dr	Southeast

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 9

Size Range	Net Rentable Area (MSF)	Direct Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Under 100,000 sq. ft.	58.95	4.3	7.3	6.2	1.1	6.13	(26,000)	(26,000)	-	-
100,000-199,999 sq. ft.	42.54	4.4	6.7	5.8	0.9	4.49	99,000	99,000	-	0.25
200,000-299,999 sq. ft.	33.38	4.6	13.2	10.8	2.4	5.58	333,000	333,000	-	-
300,000-499,999 sq. ft.	38.48	8.0	14.8	13.9	0.9	4.33	(159,000)	(159,000)	-	-
500,000-749,999 sq. ft.	37.58	5.0	10.0	8.5	1.5	4.40	-	-	-	-
Over 750,000 sq. ft.	88.71	8.2	10.0	7.3	2.7	4.23	616,000	616,000	-	2.93
Total	**299.63**	**6.0**	**10.0**	**8.2**	**1.7**	**4.59**	**863,000**	**863,000**	**-**	**3.18**

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 10

Product Type	Net Rentable Area (MSF)	Direct Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Distribution/Logistics	278.17	6.4	10.5	8.7	1.8	4.48	872,000	872,000	-	1.18
Manufacturing - General	11.80	0.6	1.7	1.0	0.7	9.00	-	-	-	2.00
R&D/Flex	8.87	6.3	8.2	7.9	0.3	8.34	(9,000)	(9,000)	-	-
Other Industrial	0.79	-	-	-	-	-	-	-	-	-
Total	**299.63**	**6.0**	**10.0**	**8.2**	**1.7**	**4.59**	**863,000**	**863,000**	**-**	**3.18**

Source: CBRE Research, Q1 2026

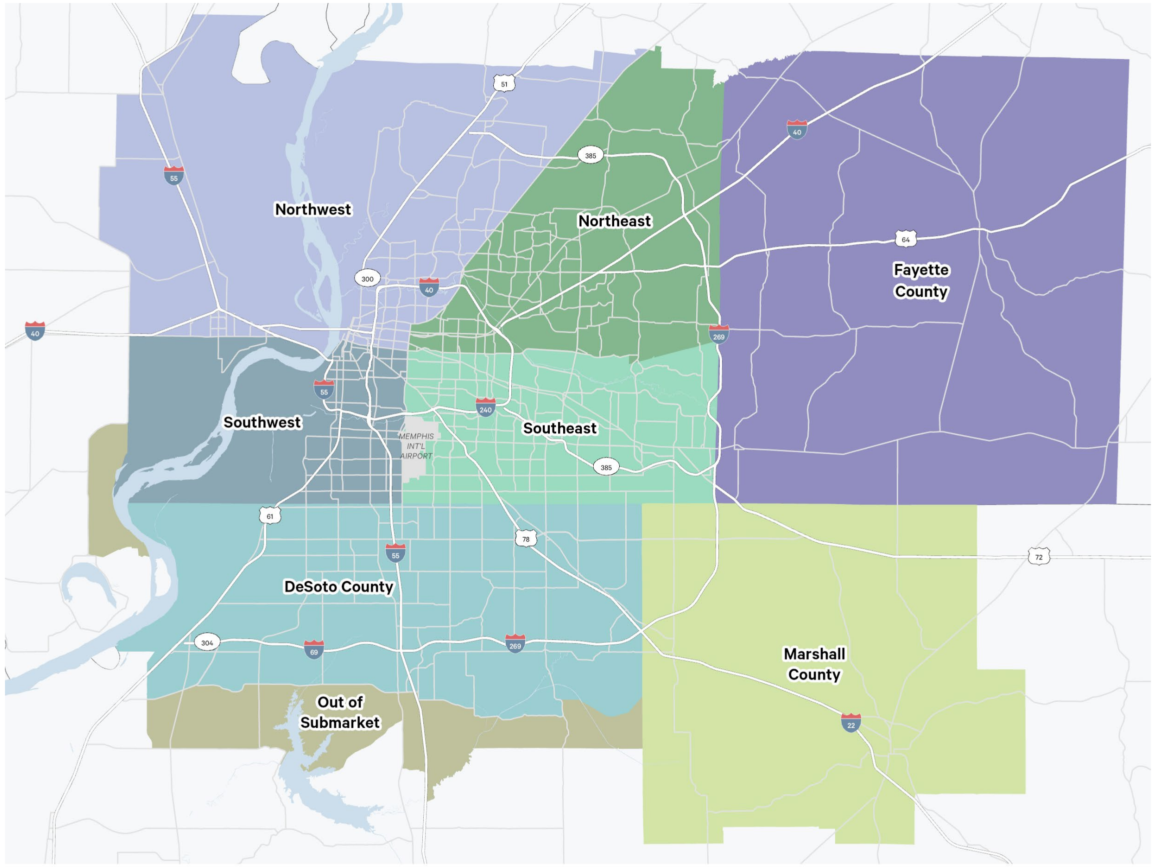
Market Statistics by Submarket

Figure 11

Submarket	Net Rentable Area (MSF)	Direct Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
DeSoto County	72.26	8.9	13.7	11.1	2.6	4.52	(171,000)	(171,000)	-	-
Fayette County	8.17	-	-	-	-	-	-	-	-	0.13
Marshall County	22.04	11.3	13.3	9.4	3.9	4.85	616,000	616,000	-	2.93
Northeast	15.49	3.1	5.6	5.1	0.5	8.89	6,000	6,000	-	0.12
Northwest	27.97	4.3	5.3	4.8	0.5	3.91	(78,000)	(78,000)	-	-
Southeast	108.48	5.8	11.7	9.8	1.9	4.63	244,000	244,000	-	-
Southwest	45.22	2.8	4.5	4.1	0.4	3.33	246,000	246,000	-	-
Total	**299.63**	**6.0**	**10.0**	**8.2**	**1.7**	**4.59**	**863,000**	**863,000**	**-**	**3.18**

Source: CBRE Research, Q1 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all classes of competitive Warehouse/Distribution, Manufacturing, and R&D/Flex properties larger than 10,000 sq. ft. within the geographic submarket boundaries defined in the "Market Area Overview."

Contacts

Elizabeth Goodwin
Senior Managing Director
elizabeth.goodwin@cbre.com

Lauren Goddard
Associate Director of Research
lauren.goddard@cbre.com