Large-block leasing fuels momentum as vacancy declines

▼5.6%
Vacancy Rate

▲2.0M
SF Net Absorption

▶0
SF Construction Delivered

▲4.6M
SF Under Construction

▲$4.75
NNN/YR Direct Lease Rate

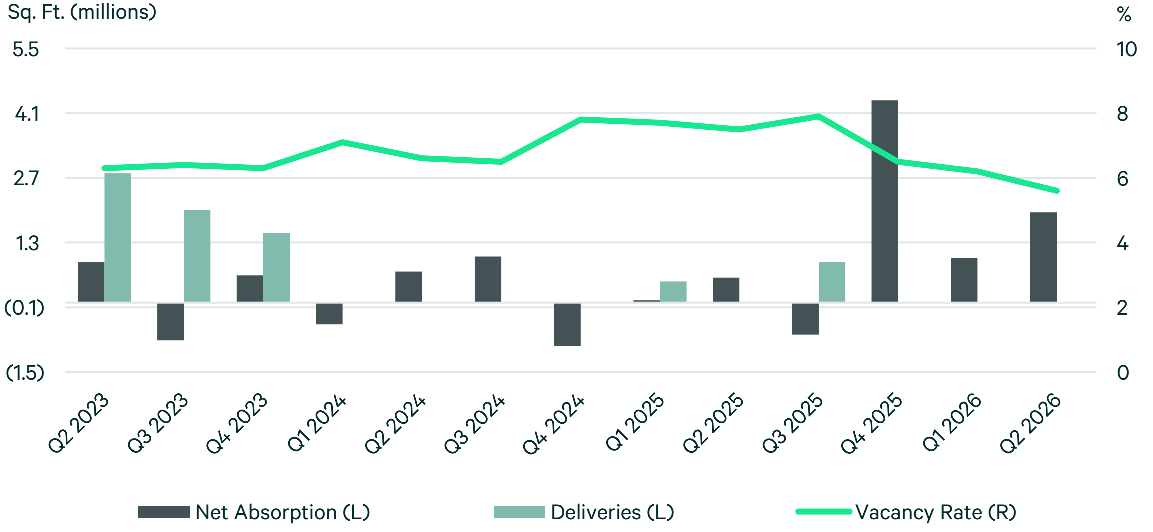
Note: Arrows indicate change from previous quarter.

Market Overview

The Memphis industrial market recorded approximately 2.0 million sq. ft. of net absorption in Q2 2026. Vacancy declined to 5.6% from 6.2% in Q1 2026 and 7.5% one year ago, while availability fell to 9.8%. Average asking rent rose to $4.75 per sq. ft., up 3.3% quarter-over-quarter and 3.9% year-over-year, reflecting firmer pricing as occupancy continues to improve. The construction pipeline totaled 4.6 million sq. ft. across six projects in Q2 2026, comprised of 3.5 million sq. ft. of build-to-suit development and 1.1 million sq. ft. of speculative product, including the first speculative industrial project to break ground in the market since 2022. Large-block leasing activity remained a defining theme this quarter, underscoring sustained demand for modern logistics space across the region's key distribution corridors.

The broader U.S. economy entered mid-2026 on solid footing, with GDP growth projected at 2.2% and AI investment supporting business expansion. However, elevated inflation and Treasury yields have created a more challenging financing environment for commercial real estate. For Memphis, the impact has been partially offset by the market's strategic role as a national logistics hub, which continues to attract large-scale occupiers. Looking ahead, moderating inflation and improved trade flows resulting from easing geopolitical tensions could further support industrial demand across the region.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



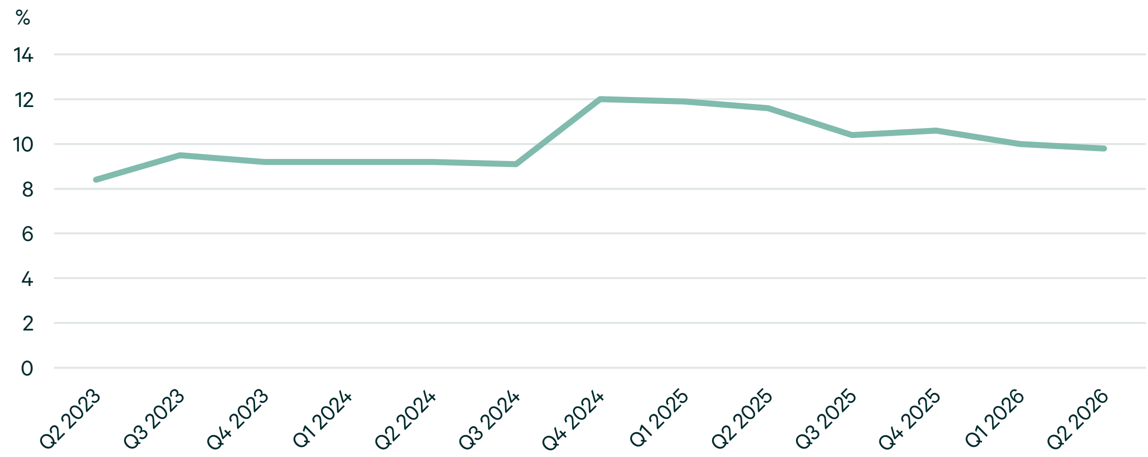
Source: CBRE Research, Q2 2026

Availability Rate

In Q2 2026, the overall availability rate declined to 9.8%, down 20 basis points from 10.0% in Q1 2026 and 180 basis points below the 11.6% recorded one year earlier. Availability has now decreased for three consecutive quarters and sits well below the recent peak of 12.0% reached in Q4 2024. Following a period of elevated availability in late 2024 and early 2025, market conditions have steadily tightened as demand has outpaced new supply, driving availability below 10.0% for the first time since Q3 2024. The sublease availability rate decreased from 1.7% in Q1 2026 to 1.4% in Q2 2026, a negative 30 basis point quarter-over-quarter change, with total sublease space amounting to 4.3 million sq. ft.

Despite remaining above the 8.4% level recorded in Q2 2023, the continued decline over the past year points to improving occupancy trends and a healthier supply-demand balance across the Memphis industrial market.

Figure 2: Availability Rates



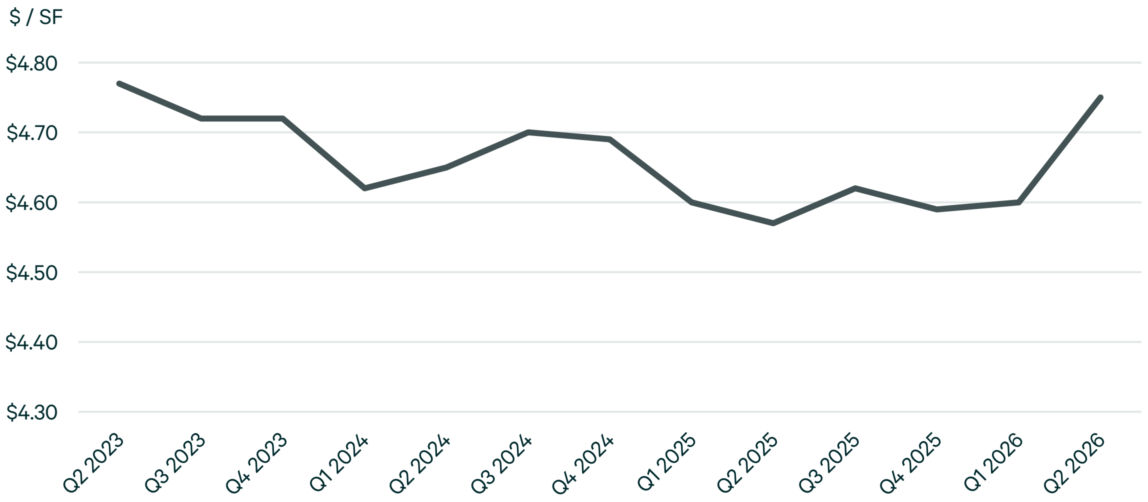
Source: CBRE Research, Q2 2026

Asking Rent

The average asking rate increased to $4.75 per sq. ft. in Q2 2026, rising 3.3% from $4.60 per sq. ft. in Q1 2026 and 3.9% from $4.57 per sq. ft. one year earlier. The quarter marked the highest asking rate recorded during the period shown and represented a notable rebound following a relatively stable stretch of pricing that generally ranged between $4.57 and $4.72 per sq. ft. from Q3 2023 through Q1 2026. Despite fluctuations in market conditions during 2024 and 2025, asking rents remained resilient, with the sharp increase in Q2 2026 reflecting tightening market fundamentals and improved leasing demand.

Rental rates varied significantly across submarkets in Q2 2026. The Northeast submarket recorded the highest average asking rent at $9.78 per sq. ft., while Southwest posted the lowest at $3.29 per sq. ft. Northwest ($3.88 per sq. ft.), Southeast ($4.62 per sq. ft.), Marshall County ($4.87 per sq. ft.), and DeSoto County ($4.91 per sq. ft.) formed a middle tier of pricing. The $6.49-per-sq.-ft. spread between Northeast and Southwest highlights the market's tiered rent structure, with pricing generally reflecting differences in product type, quality, location, and tenant demand across submarkets.

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

Net Absorption

Net absorption totaled 2.0 million sq. ft. in Q2 2026, increasing from 960,000 sq. ft. in the prior quarter and 540,000 sq. ft. in Q2 2025. The quarter marked the second-highest level of positive absorption recorded during the period shown, trailing only the exceptional 4.4 million sq. ft. posted in Q4 2025. After a volatile stretch that included four consecutive quarters of negative absorption from Q1 2024 through Q4 2024, market demand rebounded meaningfully over the past three quarters, generating nearly 7.3 million sq. ft. of cumulative positive absorption since Q4 2025. The sustained improvement in occupancy trends has contributed to declining availability and vacancy rates.

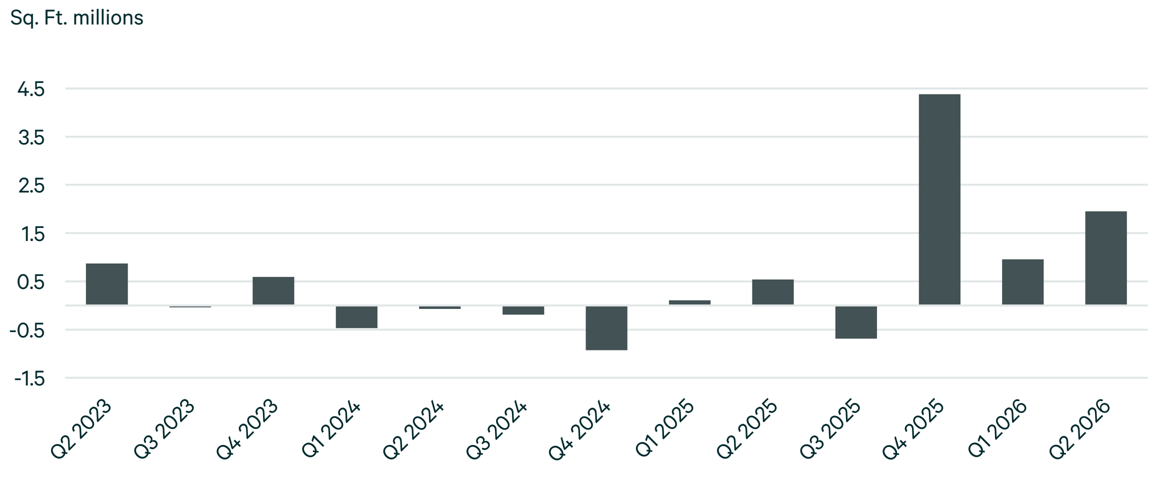
At the submarket level, DeSoto County recorded the strongest performance with 1.9 million sq. ft. of positive net absorption, accounting for the majority of quarterly demand. More than half of that total was driven by DHL's occupancy of 1,019,959 sq. ft. at Polk Lane Industrial Park Building 2, highlighting the impact of large-box logistics users on market performance. Marshall County followed with 378,000 sq. ft. of positive absorption, while Southwest posted a modest gain of 4,000 sq. ft. Fayette County and Northwest were effectively flat during the quarter. In contrast, Southeast recorded the largest occupancy loss, with negative 305,000 sq. ft. of net absorption, while Northeast posted a decline of 10,000 sq. ft. Despite weakness in select submarkets, strong tenant demand in DeSoto County and Marshall County drove another quarter of robust market-wide absorption.

Construction Activity

In Q2 2026, the Memphis industrial market had 4.6 million sq. ft. under construction across six projects. Development activity rebounded significantly from early 2024, when the construction pipeline stood at zero following the completion of several large projects delivered between Q2 2023 and Q1 2024. Since construction resumed in Q3 2024, the pipeline has expanded steadily, increasing from 460,000 sq. ft. to nearly 4.6 million sq. ft. by Q2 2026. The absence of deliveries over the past three quarters, combined with strong leasing activity, has contributed to tightening market fundamentals as developers position new product to meet future demand.

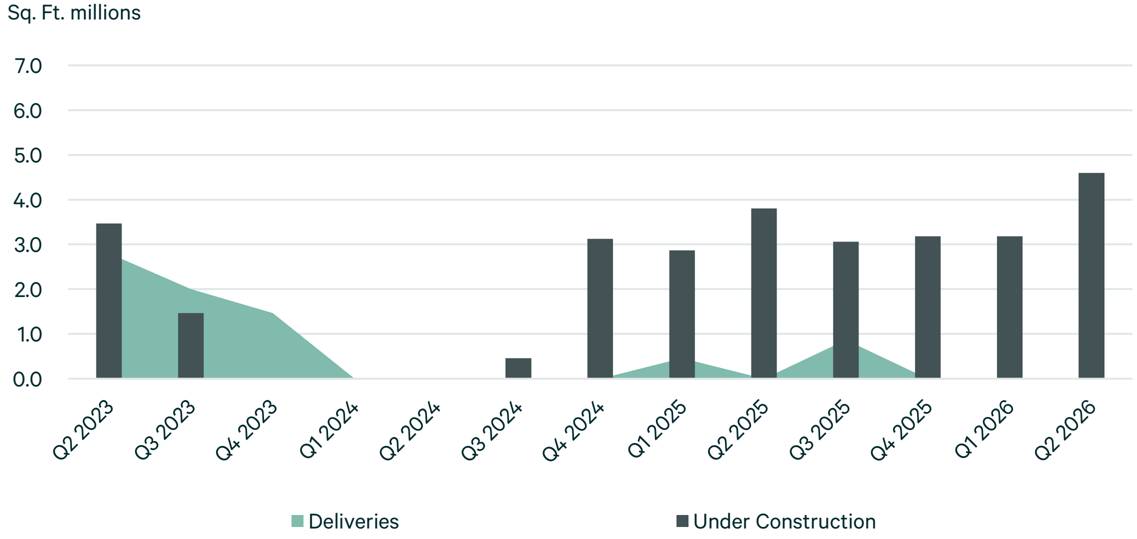
Build-to-suit projects accounted for the majority of construction activity, totaling more than 3.4 million sq. ft. across five developments. These projects included the 2.0-million-sq.-ft. Amplify Cell Technologies facility and the 934,000-sq.-ft. Amazon distribution center in Marshall County, Southwark Metal Manufacturing Company's 270,000-sq.-ft. facility in DeSoto County, Ajax Distributing Co.'s 120,000-sq.-ft. project in the Northeast submarket, and Pyramex Safety Products' 126,000-sq.-ft. expansion in the Southeast. Notably, Hillwood broke ground on the 1.15-million-sq.-ft. Marshall Trade Center Building 1, the first speculative project to commence construction in the market since 2022, signaling renewed developer confidence amid strengthening leasing fundamentals and improving tenant demand.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



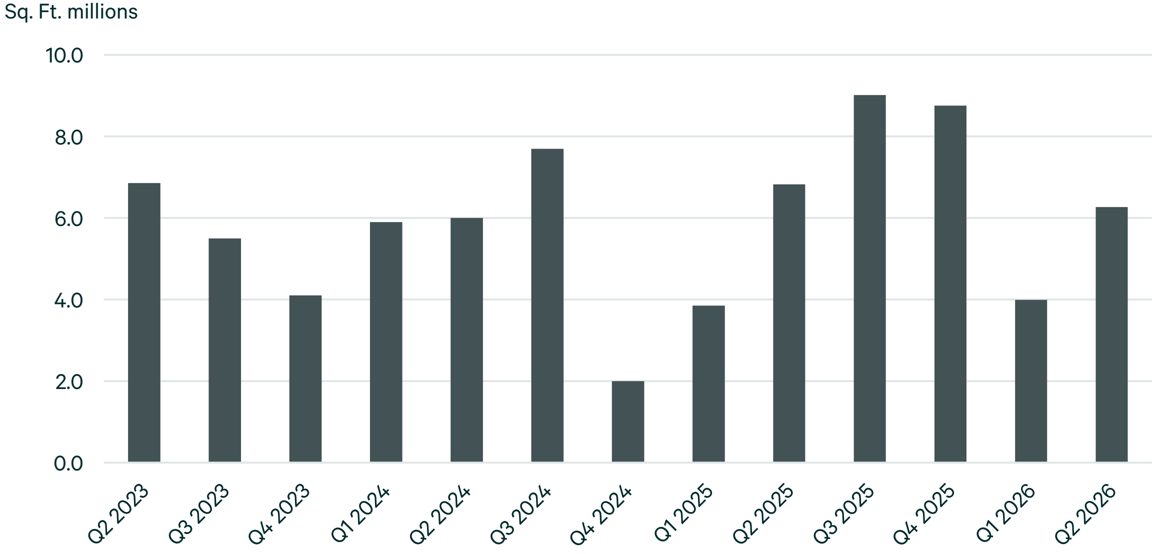
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity totaled 6.3 million sq. ft. in Q2 2026, increasing 57.1% from the 4.0 million sq. ft. recorded in Q1 2026 but declining 8.2% from the 6.8 million sq. ft. recorded one year earlier. Despite the year-over-year decrease, leasing activity rebounded sharply from the prior quarter and remained above the market's long-term quarterly average. The quarter's performance followed a period of heightened volatility, with leasing volumes ranging from a low of 2.0 million sq. ft. in Q4 2024 to a peak of 9.0 million sq. ft. in Q3 2025. Strong activity in Q2 2026 reflected continued occupier demand for large-scale distribution space across the region.

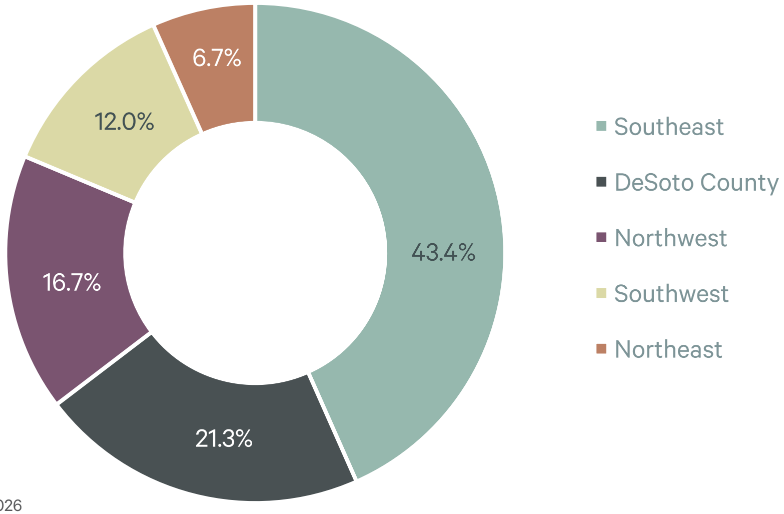
The Southeast submarket accounted for the largest share of leasing activity during the quarter, representing 43.4% of total volume, followed by DeSoto County at 21.3% and Northwest at 16.7%. Southwest and Northeast contributed 12.0% and 6.7% of quarterly leasing activity, respectively. Strong demand for large-format industrial space was evident in several notable new lease transactions, including an 802,000-sq.-ft. lease by a confidential tenant and a 200,000-sq.-ft. lease by K&C Warehouse in DeSoto County, alongside a 500,000-sq.-ft. lease by a confidential tenant in the Southeast submarket. The quarter's leasing activity was driven by a combination of tenant retention and expansion, with renewals representing 63.0% of total transaction volume and new leases and expansions accounting for 37.0%, highlighting both the market's ability to retain existing occupiers and attract incremental demand.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	802,000	New Lease	711-799 Venture Dr	DeSoto County
Confidential Tenant	500,000	New Lease	5015 Citation Dr	Southeast
Nickey Warehouse	208,000	Renewal	1997 Behnke Ave	Southwest
Nickey Warehouse	208,000	Renewal	1996 Behnke Ave	Southwest
K&C Warehouse	200,000	New Lease	2929 Stateline Rd	DeSoto County

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 9

Size Range	Net Rentable Area (SF)	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 (SF)
Below 50K SF	34.86M	3.5	4.9	4.7	0.2	7.84	(147,000)	(177,000)	-	-
50K-99,999 SF	24.17M	5.7	10.5	8.6	1.9	4.63	56,000	149,000	-	-
100K-249,999 SF	63.92M	4.7	9.3	7.8	1.4	5.02	(391,000)	(23,000)	-	246,000
250K-499,999 SF	50.14M	8.9	17.5	15.6	1.9	4.78	(493,000)	(583,000)	-	270,000
500K-749,999 SF	38.19M	4.7	8.3	7.3	1.1	4.38	500,000	500,000	-	-
750,000 SF +	87.88M	5.5	8.1	6.5	1.7	4.26	2.43M	3.04M	-	4.08M
Total	**299.16M**	**5.6**	**9.8**	**8.4**	**1.4**	**4.75**	**1.95M**	**2.91M**	**-**	**4.60M**

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 10

Product Type	Net Rentable Area (SF)	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 (SF)
Distribution/Logistics	274.11M	5.7	10.1	8.6	1.5	4.62	1.78M	2.75M	-	2.33M
Manufacturing - General	11.80M	0.6	1.7	1.0	0.7	-	-	-	-	2.27M
R&D/Flex	8.94M	7.0	10.0	9.7	0.3	8.80	(26,000)	(39,000)	-	-
Other Industrial	3.34M	8.3	8.3	8.3	-	4.25	200,000	200,000	-	-
Total	**299.16M**	**5.6**	**9.8**	**8.4**	**1.4**	**4.75**	**1.95M**	**2.91M**	**-**	**4.60M**

Source: CBRE Research, Q2 2026

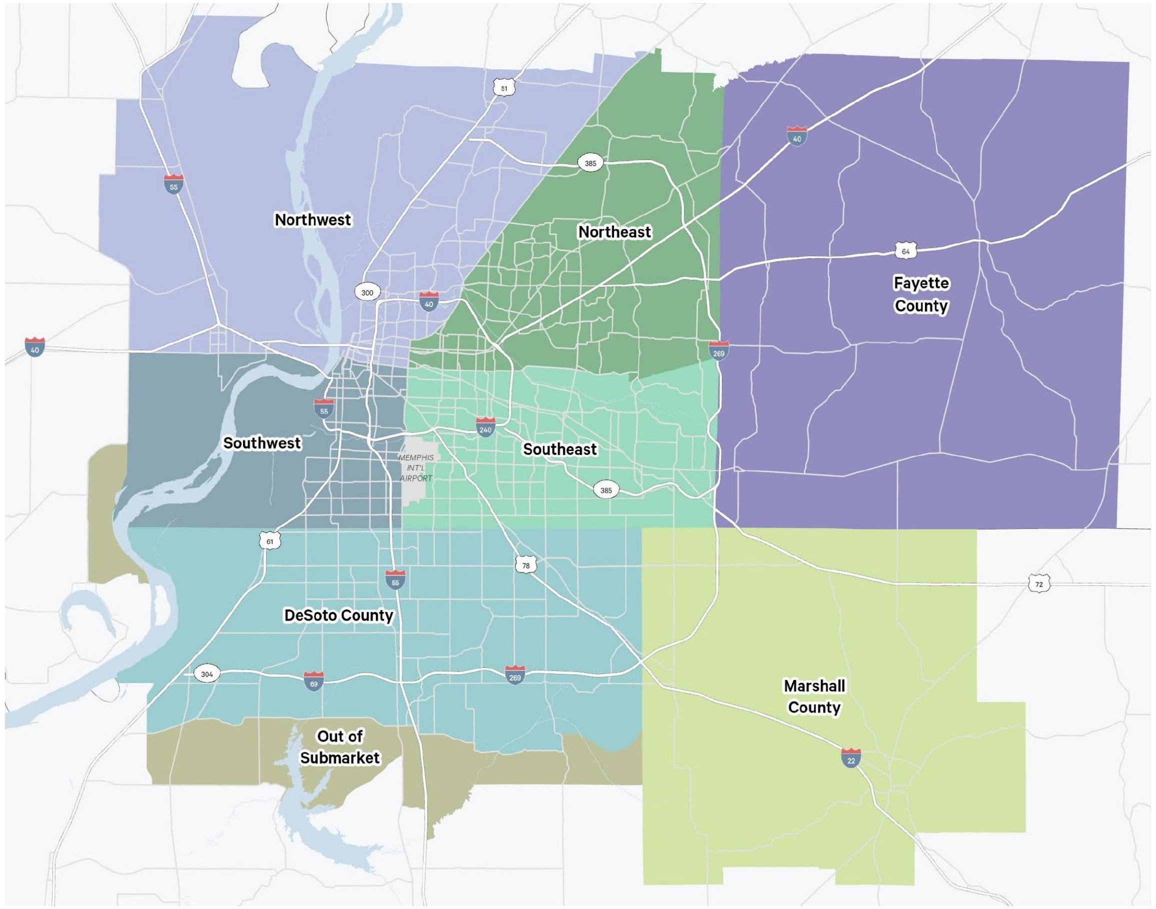
Market Statistics by Submarket

Figure 11

Submarket	Net Rentable Area (SF)	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 (SF)
DeSoto County	72.05M	6.6	12.8	10.7	2.1	4.91	1.88M	1.71M	-	270,000
Fayette County	8.17M	-	-	-	-	-	-	-	-	126,000
Marshall County	22.04M	9.5	13.4	9.5	3.9	4.87	378,000	994,000	-	4.08M
Northeast	15.57M	3.5	4.9	4.3	0.6	9.78	(10,000)	(7,000)	-	120,000
Northwest	27.63M	4.0	4.5	4.0	0.5	3.88	-	17,000	-	-
Southeast	108.48M	6.4	11.9	10.5	1.4	4.62	(305,000)	(56,000)	-	-
Southwest	45.22M	2.6	4.7	4.4	0.4	3.29	4,000	246,000	-	-
Total	**299.16M**	**5.6**	**9.8**	**8.4**	**1.4**	**4.75**	**1.95M**	**2.91M**	**-**	**4.60M**

Source: CBRE Research, Q2 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."

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