

MarketView Memphis Industrial

Note: The CB Richard Ellis Memphis Industrial MarketView report provides statistics based on a set of inventory consisting of 2,221 bulk warehouse, standard distribution and service center properties in the following submarkets: Desoto County, Northeast, Northwest, Southeast and Southwest. All properties are greater than 10,000 SF. Owner occupied properties are included in the data set. Historical data in charts is reflective of the current set of inventory rather than previously published report figures.

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy	13.0%	↑	↓
Direct Lease Rates	\$2.61	↑	↓
Net Absorption*	1,067,889	↑	↑
Construction Deliveries	0	→	↓
Direct Vacancy	12.9%	↑	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Memphis industrial market active, with almost 2.5 MSF of new leases
- Continued decrease in availability of Class A bulk inventory
- 1 MSF vacancy in Desoto County offset by three large new leases
- Second quarter sales activity very strong and expected to continue
- Active requirements and build to suit interest support forecast of continued growth

As predicted in the first quarter report, the Memphis industrial market showed signs of rapid recovery in the second quarter, bouncing back from over 1.5 MSF of negative absorption in the first quarter. Almost 2.5 MSF of new leases were signed in the second quarter, resulting in a quarterly net absorption of 1,067,889 and a net absorption of -565,142 SF for the first half of 2012. Net absorption for the Memphis MSA industrial market is expected to be positive by year end.

A large new lease in north Mississippi further decreased the availability of Class A bulk inventory in the Memphis industrial market. The continued demand for Class A bulk properties has been a primary driver of the steady increase in average asking lease rates across all Memphis MSA bulk properties over the past six quarters.

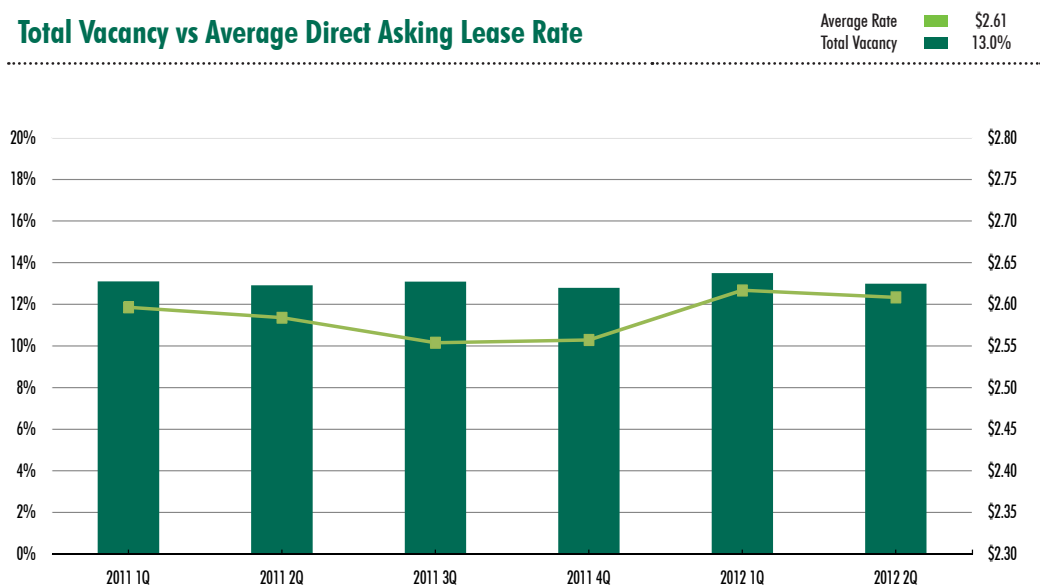
Also supportive of first quarter MarketView predictions was the prompt backfilling of the majority of a 1 MSF vacancy in Olive Branch by Teleflex, a 627,294 SF tenant, significantly reducing a potentially high negative absorption figure. With two additional large

Desoto County leases to West Coast Novelty and Stylecraft, the submarket's net absorption was -29,440 SF, only a minor offset to leasing successes in the Southeast, Southwest and Northwest submarkets.

Second quarter sales activity was very strong, with Prologis Inc's sale of a 10-building industrial portfolio totaling 2.08 MSF of distribution centers to Exeter Property Group. Aren Investments LLC added a fourth building to their portfolio of Memphis industrial properties by acquiring Trane U.S.A. Inc's 99,375 SF distribution warehouse in Southeast Memphis. DRA Advisors LLC also closed on two Memphis warehouse properties as part of a larger portfolio purchase from Weingarten Realty Investors.

Four to five active requirements of more than 500,000 SF each are promising signs that positive activity in the Memphis industrial market will continue for the remainder of 2012. Build to suit interest remains high, with prospects considering more than 3.5 MSF of construction.

Total Vacancy vs Average Direct Asking Lease Rate



Market Statistics

Market	Building SF	Direct Vacancy %	Total Vacancy %	Avg Asking Dir Lease Rate	Construction Deliveries	2Q Net Absorption	YTD Net Absorption
Desoto County	38,248,271	11.4%	11.4%	\$ 2.93	0	(29,440)	(478,587)
Bulk Warehouse	30,677,526	11.3%	11.3%	\$ 2.91	0	12,330	(382,117)
Standard Distribution	7,186,437	11.4%	11.4%	\$ 2.98	0	(26,370)	(84,370)
Service Center	384,308	21.8%	21.8%	\$ 3.25	0	(15,400)	(12,100)
Northeast	11,672,000	11.9%	12.0%	\$ 6.49	0	5,269	(18,681)
Bulk Warehouse	2,793,767	4.5%	4.5%	\$ 4.08	0	0	(16,800)
Standard Distribution	6,073,983	12.4%	12.4%	\$ 4.50	0	(8,335)	4,070
Service Center	2,804,250	18.2%	18.5%	\$ 6.74	0	13,604	(5,951)
Northwest	21,076,003	9.1%	9.1%	\$ 1.80	0	95,042	50,259
Bulk Warehouse	10,195,001	4.6%	4.6%	\$ -	0	0	0
Standard Distribution	10,539,581	12.9%	12.9%	\$ 1.82	0	95,042	50,259
Service Center	341,421	22.9%	22.9%	\$ 1.19	0	0	0
Southeast	95,442,300	13.2%	13.3%	\$ 2.40	0	899,877	(103,079)
Bulk Warehouse	58,847,100	13.3%	13.3%	\$ 2.29	0	811,935	(192,069)
Standard Distribution	33,753,050	12.3%	12.6%	\$ 2.42	0	79,377	115,084
Service Center	2,842,150	22.5%	22.8%	\$ 4.46	0	8,565	(26,094)
Southwest	42,544,507	15.9%	15.9%	\$ 2.38	0	97,141	(15,054)
Bulk Warehouse	13,374,957	16.1%	16.1%	\$ 2.11	0	37,500	(37,604)
Standard Distribution	27,487,530	14.4%	14.4%	\$ 2.35	0	67,906	90,757
Service Center	1,682,020	39.0%	39.3%	\$ 5.11	0	(8,265)	(68,207)
Memphis MSA	208,983,081	12.9%	13.0%	\$ 2.61	0	1,067,889	(565,142)
Bulk Warehouse	115,888,351	12.1%	12.1%	\$ 2.49	0	861,765	(628,590)
Standard Distribution	85,040,581	13.0%	13.1%	\$ 2.52	0	207,620	175,800
Service Center	8,054,149	24.4%	24.7%	\$ 5.19	0	(1,496)	(112,352)

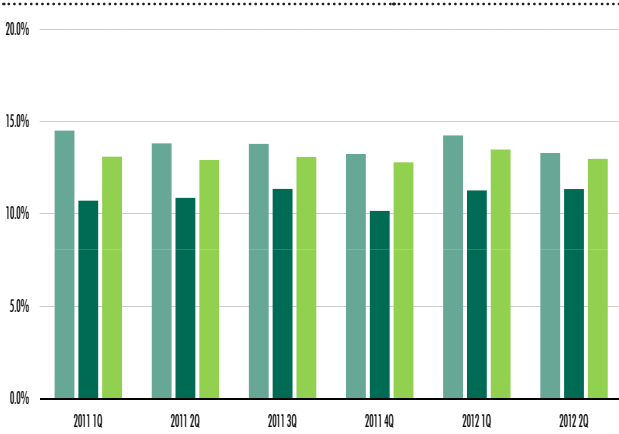
Submarket Breakdown

A significant second quarter drop in vacancy among bulk properties in the Southeast helped close the vacancy rate gap between the submarket and other high-performing submarkets, such as Desoto County. Positive absorption in bulk and standard distribution properties in both the Southeast and Southwest helped to counter a continued high vacancy rate among service center facilities in the two submarkets. With a little more than 10% of the total Memphis industrial inventory, the Northwest submarket also made a contribution to the Memphis MSA's overall decrease in vacancy, with over 95,000 SF of positive absorption among standard distribution properties.

Market	# of Buildings	% of Market SF
Desoto Co	239	18.3%
Northeast	263	5.6%
Northwest	253	10.1%
Southeast	784	45.7%
Southwest	682	20.4%
Memphis MSA	2,221	100.0%

Total Vacancy Rate

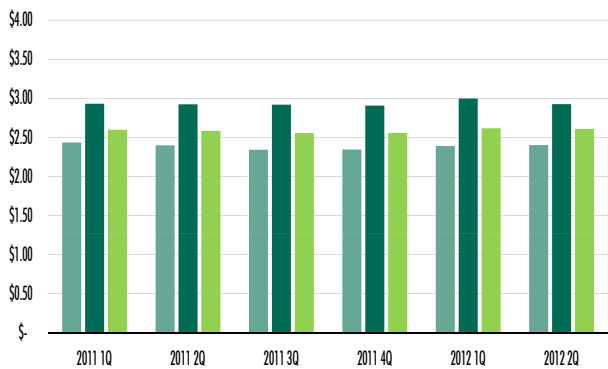
Southeast 13.3%
 DeSoto County 11.3%
 Memphis MSA 13.0%



Vacancy in Desoto County in the second quarter held steady at 11.3%, as three large leases ranging from 167,600 SF to 627,294 SF each offset a moveout of almost 1 MSF at Olive Branch Distribution Center. Due to nearly 900,000 SF of positive absorption in the second quarter, vacancy in the Southeast submarket decreased by almost a full point. With a net absorption of more than 1 MSF in the Memphis MSA, overall vacancy dropped 0.5%, the largest single quarter decrease in the last six quarters.

Direct Asking Lease Rates

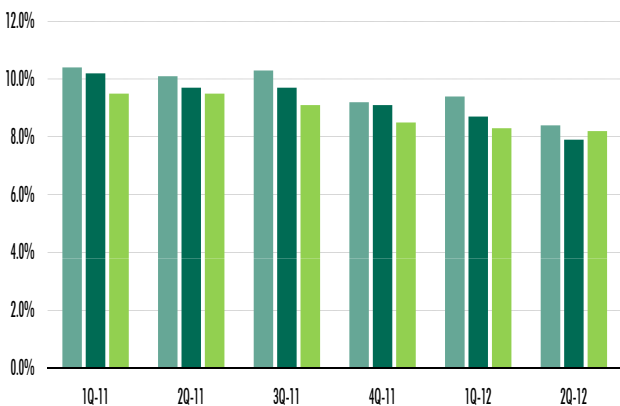
Southeast \$2.40
 DeSoto County \$2.93
 Memphis MSA \$2.61



Overall average asking lease rates dropped slightly, with a second quarter decrease of \$0.01 in the Memphis MSA. Rates in the Southeast continued a slow but steady climb from \$2.39 to \$2.40, while rates in Desoto County dropped \$0.07 in the second quarter after a \$0.09 first quarter increase. With continued positive leasing activity, healthy build to suit interest and new speculative construction, asking lease rates are expected to increase over the course of 2012.

Unemployment Rate

Shelby 8.4%
 Tennessee 7.9%
 US 8.2%



The US Bureau of Labor Statistics reports that the Memphis MSA unemployment rate fell for the third straight quarter, decreasing by 1% in the second quarter of 2012. The Tennessee state unemployment rate also made a significant improvement, decreasing by 0.7%. The U.S. national, Tennessee state and Memphis MSA unemployment rates are all at the lowest they have been in the last six quarters.

At a Glance: Debt & Equity Finance

Life insurance companies dominated the lending landscape for industrial buildings in 2011. Most CMBS lenders are limited to financing large portfolios with multiple tenants and long term leases; however, CMBS rates have decreased significantly over the last several months. Life companies will continue to have a significant appetite for industrial properties into 2012. Below is a recent life company loan closing, typical of the industrial market at this time.

Loan:	\$26,500,000	Rate:	4.00%
LTV:	65% LTV	Amortization:	30 Years
Term:	7 Years	DSC Ratio:	1.85x

Top Lease Transactions

Size (SF)	Tenant Name	Address
627,294	Teleflex	Olive Branch Distribution Center
350,356*	ASICS	262 Marathon Way
216,320	West Coast Novelty	Goodman Road Business Park

*renewal

Submarket Map



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Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

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