

MarketView Memphis

Second Quarter 2012

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Occupancy	92.4%	↑	↑
Market Rents	\$740	↑	↑
Net Absorption*	643	↑	↑
Construction	153	↑	↑

* 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

- **Occupancy** increased 0.7 basis points from year-end 2011 to 92.4%. Class A & B occupancy increased 60 basis points to 94.0%.
- **Market Rents** increased an annualized 1.9% to \$740 per unit. Rents for Class A & B units increased 2.8% to \$829.
- **Construction** remains slow with 153 units delivered to-date this year. An additional 97 conventional units are scheduled to be delivered by year-end.
- **Absorption** was a positive 643 units through second quarter.

The Memphis multi-housing market continues to show steady improvement on all fronts. Occupancy and Rent gains, combined with positive job announcements and a manageable construction pipeline provide an optimistic outlook for the market. While distressed properties entered Memphis earlier than other markets, fundamentals appear to have stabilized enough where there are few stressed properties today.

Occupancy: Overall Occupancy for the market through mid-year was 92.4%, which is an increase of 70 basis points compared to year-end 2011. Overall Occupancy has increased 280 basis points since the start of the credit crunch in late 2008, consistent with other peer markets. Properties built since 1980 continue to greatly outperform the market as a whole, with an average occupancy of 94.0%, and the four higher-end submarkets – Germantown/Collierville, Cordova, DeSoto County, and Downtown – average 94.3% across all age segments. New Construction Occupancy was 94.2%, up 30 basis points from 2011 year-end; 1990s Construction rose 50 basis points to 93.9%; 1980s Construction increased 80 basis points to 93.8%; and Old Construction experienced the highest gain, 140 basis points, to finish the quarter at 89.6%.

Rents: Overall rents increased an annualized 1.9% compared to year-end 2011, but remains skewed since most properties are experiencing much greater overall rental growth through improving Occupancy and Effective Rents. Additionally, a number of properties continue to convert to daily pricing

models, which has an impact on quoted rents, but provides solid effective rent growth.

Demand: The lack of new construction continues to be a leading factor for the improvement experienced in the market post-recession. 580 units were completed in 2011, and 153 conventional units have been completed year-to-date. A total of only 250 conventional units are expected to be delivered in 2012 throughout the MSA. Completions of conventional product are expected in 2012 from the following properties: Orleans at Walnut Grove (180 Units Phase I – Cordova); Grand Island (completion of 204 units – Downtown); 436 Front Street (25 Units – Downtown). Approximately 800 units are scheduled to be delivered in 2013 in three submarkets of the MSA.

Sales: Sixteen properties over 40 units have traded through mid-year 2012, totaling 4,440 units and approximately \$206 million in volume. The average sales price is \$46,400 per unit, and includes a fairly balanced mix of stabilized and lender-owned product. The trend towards selling newer, stabilized product continued, highlighted by three Collierville properties ranging in price from \$93,500 per unit to \$102,600 per unit.

Market Trends: Memphis' financial sector gained 500 new jobs from April 2011 to April 2012, according to a new report from On Numbers. During the same 12-month period, the MSA added 9,200 private-sector jobs. In the first half of the year twenty significant new job announcements were made, totaling nearly 3,500 new jobs.

Memphis MSA Market Snapshot

Population	1,331,302	Apartment Inventory*	95,725	
Households	497,204	New Units		
New Jobs		2012 Completed	436	
2012 YTD	6,188	2012 Planned	153	
2011	19,407	2011	580	
2010	7,758	2010	250	
2009	(5,618)	2009	1,121	
Avg. HH Income	\$60,021	Marketwide Occupancy	92.4%	
Avg. Home Price	\$148,264	Marketwide Market Rent	\$740	
Construction Type	Old	1980s	1990s	New
Average Market Rent	\$588	\$727	\$873	\$966
Annualized Rent Growth	0.2%	2.3%	2.2%	4.3%
Average Occupancy	89.6%	93.8%	93.9%	94.2%

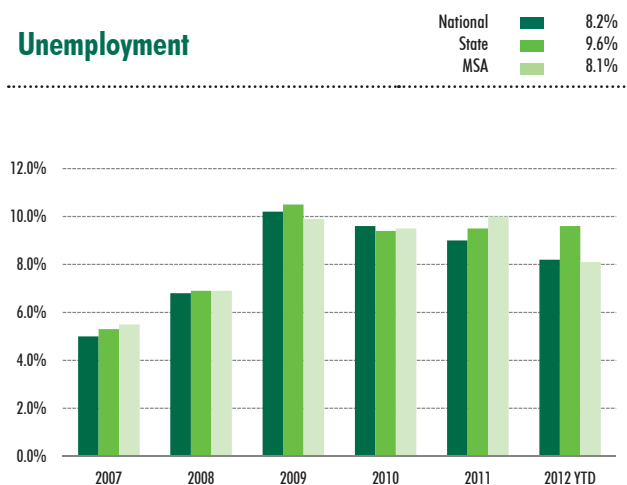
Sources: Claritas, The Bureau of Labor Statistics, Chandler Reports * There are appr. 60,000 Old Construction units; only 27,000 are included in this analysis.

Market Statistics

	Submarket	Total Units Surveyed	Occupancy	Avg. Unit Size (SF)	Avg. Market Rent	Avg. Market Rent/SF	% Market Rent Change from YE 11
New Construction	Cordova	1,092	92.2%	1,092	\$947	\$0.867	0.8%
	DeSoto County, MS	1,100	96.9%	1,100	\$827	\$0.752	2.4%
	Downtown	1,214	93.1%	1,214	\$1,153	\$0.950	9.8%
	Germantown/Collierville	1,131	95.1%	1,131	\$991	\$0.876	2.0%
	Midtown	974	98.3%	974	\$991	\$1.017	12.2%
	Raleigh/Bartlett	992	94.4%	992	\$631	\$0.636	2.6%
	Total/Average	1,119	94.2%	1,119	\$966	\$0.863	4.3%
1990s Construction	Cordova	2,436	92.9%	1,103	\$856	\$0.776	-0.5%
	DeSoto County, MS	2,238	93.8%	1,088	\$778	\$0.715	2.6%
	Downtown	739	89.4%	1,275	\$973	\$0.763	4.2%
	Germantown/Collierville	2,468	96.0%	1,103	\$970	\$0.879	5.9%
	Raleigh/Bartlett	110	98.6%	747	\$594	\$0.795	2.4%
	Southeast	208	95.0%	1,084	\$754	\$0.696	0.5%
	Total/Average	8,199	93.9%	1,109	\$873	\$0.788	2.2%
1980s Construction	Cordova	4,550	95.1%	975	\$750	\$0.769	0.5%
	DeSoto County, MS	880	95.3%	976	\$775	\$0.794	2.6%
	Downtown	1,110	94.6%	1,038	\$974	\$0.938	-3.6%
	Germantown/Collierville	2,749	94.4%	1,040	\$829	\$0.797	8.6%
	Midtown	80	93.8%	974	\$530	\$0.544	0.0%
	Raleigh/Bartlett	2,949	91.3%	979	\$645	\$0.659	0.3%
	Southeast	6,152	93.4%	1,028	\$654	\$0.636	2.8%
Total/Average	18,470	93.8%	1,007	\$727	\$0.722	2.3%	
Old Construction	Cordova	1,175	95.6%	1,077	\$629	\$0.584	0.3%
	DeSoto County, MS	96	100.0%	825	\$599	\$0.726	3.4%
	Downtown	620	90.8%	889	\$673	\$0.757	1.8%
	East Winchester	5,219	85.4%	1,100	\$530	\$0.482	-2.6%
	Germantown/Collierville	2,159	95.0%	1,281	\$826	\$0.645	0.7%
	Midtown	2,817	94.3%	747	\$621	\$0.831	2.0%
	Raleigh/Bartlett	2,884	89.7%	1,131	\$589	\$0.521	9.6%
	Southeast	2,335	86.6%	1,179	\$618	\$0.524	-2.9%
West Winchester	4,795	88.7%	1,022	\$487	\$0.477	-5.2%	
Total/Average	22,100	89.6%	1,060	\$588	\$0.555	0.2%	
Memphis Overall		60,010	92.4%	1,061	\$740	\$0.698	1.9%

Old Construction (prior to 1984) • 1980s Construction (1984 - 1993) • 1990s Construction (1994 - 1999) • New Construction (2000 - Present)

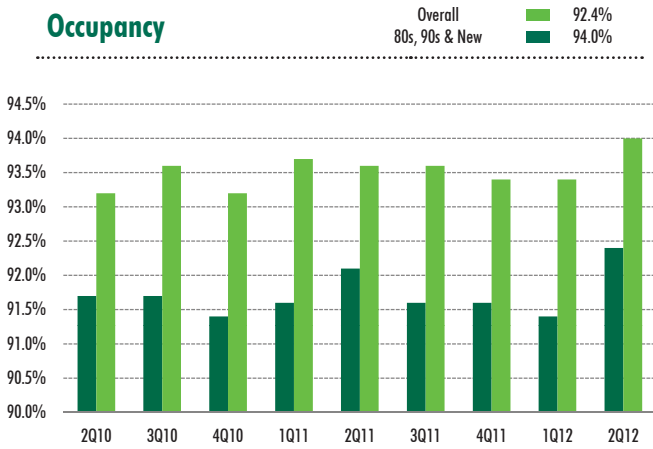
Unemployment



The Memphis MSA unemployment rate declined significantly during the second quarter, dropping from 8.8% to 8.1% — a sign that some of the new job announcements of the past couple of years are coming to fruition. State unemployment rose from 7.9% to 9.6%. The national unemployment rate was unchanged at 8.2%.

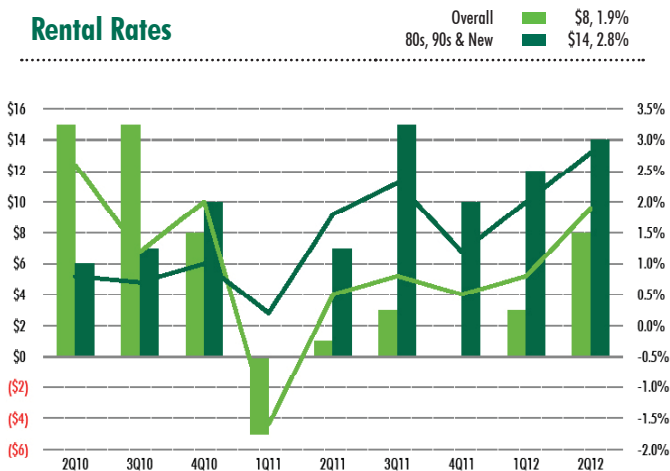
Significant new job announcements during the first half of the year have included: Kimberly Clark (100 jobs), ServiceMaster (350 jobs), Kruger (100 jobs), Seasons 52 Restaurant (100 jobs), Roxul Inc. (150 jobs), Bass Pro Shops (600-1,000 jobs), McDonald's (1,000 regional jobs), Teleflex Inc. (200 new jobs), and Tango Transport (100 jobs). The Greater Memphis Chamber reports that it has 29 potential new employers in its "pipeline," which represents the possibility of 4,335 new jobs and \$1.6 billion in capital investment.

Occupancy



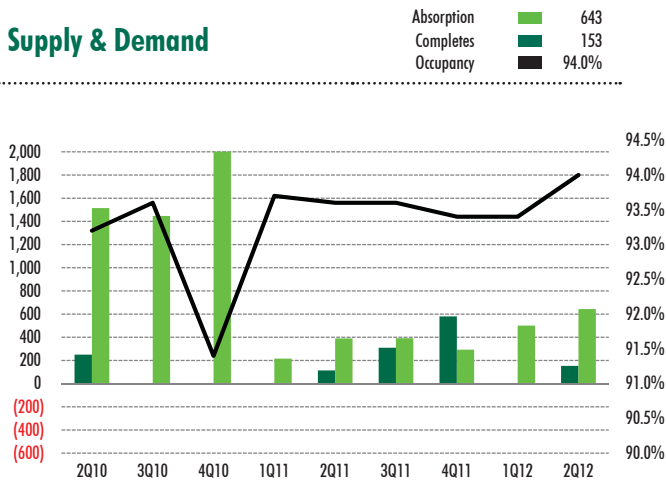
This graph compares occupancy for the overall market versus only Class “A” and “B” properties (1980s, 1990s, and New Construction). Overall occupancy increased 70 basis points from year-end 2011, rising to 92.4%. Occupancy for 1980s, 1990s, and New Construction increased 60 basis points, reaching 94.0%. New Construction occupancy increased 30 basis points to 92.4%. 1990s Construction occupancy increased 50 basis points, reaching 93.9%. 1980s Construction occupancy was 93.8%, an increase of 80 basis points. Old Construction occupancy increased 140 basis points to 89.6%.

Rental Rates



This graph compares rent growth for the overall market versus 1980s, 1990s, and New Construction. Overall market rents increased an annualized 1.9%, or \$8, from year-end 2011, rising to \$740. 1980s, 1990s, and New Construction overall average rents increased \$14, or 2.8%, reaching \$829. New Construction market rents improved 4.3% to \$966, an increase of \$20. 1990s Construction market rents improved 2.2%, increasing by \$9 to \$873. 1980s Construction market rents rose 2.3%, or \$8, reaching \$727. Old Construction rents increased 0.2% to reach \$588, a gain of \$1.

Supply & Demand



This graph shows the absorption for 1980s, 1990s, and New Construction. A total of 643 units were absorbed from year-end 2011 through 2Q 2012. New Construction properties contributed the most to this high number, with 756 units. 1990s Construction properties had an absorption rate of -260 units. 1980s Construction absorption was 147 units.

Construction remains slow. Only 153 units have been completed to date this year. Orleans at Walnut Grove Phase I has completed 108 of 180 units in the Cordova submarket. Grand Island, located in the Downtown submarket, has finished the last 45 of the property’s 245 total units. Additional conventional units scheduled for this year include the remaining 72 units at Orleans at Walnut Grove, 25 units at 436 Front St., and 52 units at The Lofts at the Cotton Council Phase I.

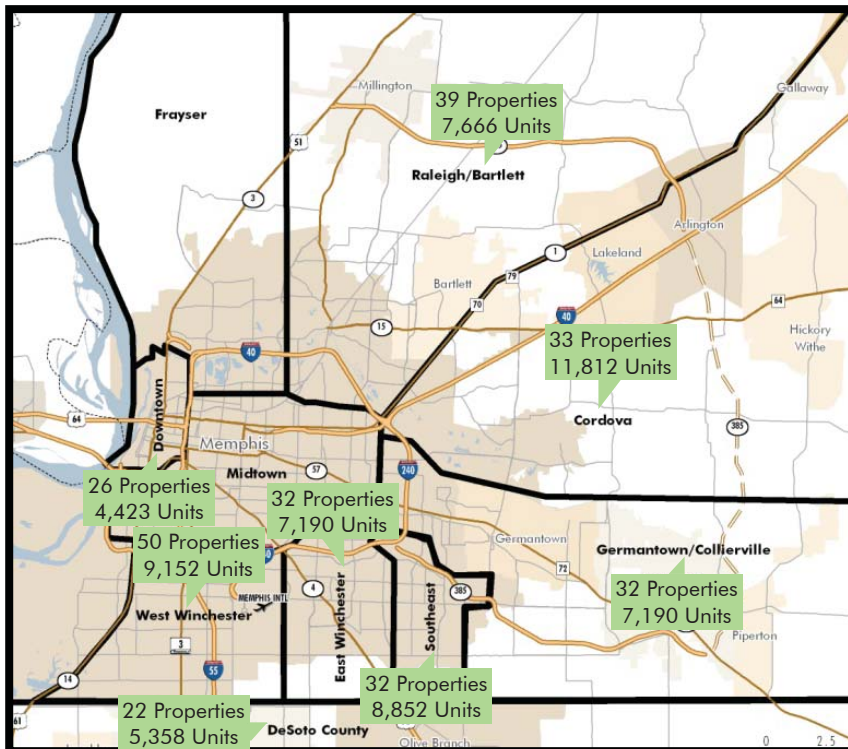
MarketView Memphis

Transactions (40 units +)

	Property	Submarket	Units	Built	Sale Date	Sales Price	Price Per Unit	Price Per SF	
New	Madison at Schilling Farms	Germantown/Collierville	324	2000	Jul-12	\$32,100,000	\$99,074	\$99.50	
	Villas at Cordova*	Cordova	256	2003	Apr-12	\$19,267,500	\$75,263	\$68.35	
	Waterford Place*	Germantown/Collierville	320	2001	Apr-12	\$21,470,000	\$67,094	\$60.57	
Totals/Averages			900			\$72,837,500	\$80,930	\$76.80	
1990s	Bailey Creek	Germantown/Collierville	232	1999	Jul-12	\$23,800,000	\$102,586	\$103.92	
	Azalea Ridge*	DeSoto County	200	1998	Jul-12	Confidential	N/A	N/A	
	Lincoln at Wolfchase	Cordova	408	1997	Jun-12	\$27,250,000	\$66,789	\$71.58	
	The Colonnade*	Germantown/Collierville	252	1996	Apr-12	\$23,100,000	\$91,667	\$78.55	
	Dogwood Creek	Germantown/Collierville	278	1997	Apr-12	\$26,000,000	\$93,525	\$94.92	
	Belmont Village	Senior Housing	120	1999	Feb-12	\$16,900,000	\$140,833	N/A	
Totals/Averages			1,490			\$93,250,000	\$90,736	\$77.13	
1980s	Country Oaks	Southeast	200	1985	Jun-12	\$6,741,750	\$33,709	\$41.01	
	Arbors of Hickory Ridge	Southeast	348	1986	Jun-12	\$10,000,000	\$28,735	\$30.47	
Totals/Averages			548			\$16,741,750	\$30,550	\$34.32	
Old	Oak Creek*	Midtown	182	NA	Jun-12	\$245,000	\$1,346	N/A	
	Ivy Chase*	East Winchester	171	1972	Apr-12	\$295,000	\$1,725	\$1.90	
	Ivy Chase*	East Winchester	171	1972	Apr-12	\$550,000	\$3,216	\$3.55	
	Highland Meadows*	West Winchester	600	1975	Apr-12	\$5,540,000	\$9,233	\$10.32	
	Parkview*	Raleigh/Bartlett	384	1974	Feb-12	\$2,550,000	\$6,640	\$7.38	
	Cedar Mill	East Winchester	276	1975	Feb-12	\$7,250,000	\$26,268	\$24.35	
	Los Feliz*	West Winchester	90	1966	Feb-12	\$100,000	\$1,111	\$1.36	
	Oakshire*	West Winchester	300	1969	Jan-12	\$2,300,000	\$7,667	\$8.52	
	Summer Trace*	Raleigh/Bartlett	255	1970	Jan-12	\$309,600	\$1,214	\$1.61	
	Pleasant View*	Frayser	252	1968	Jan-12	\$1,680,000	\$6,667	\$9.30	
	Totals/Averages			2,681			\$20,819,600	\$7,765	\$8.25

*Distressed/REO sale

Submarket Map



Acknowledgements

In addition to the over 250 properties which participate in our quarterly rent surveys, we would like to acknowledge the management companies that contribute to our apartment research efforts. Without their cooperation our reports would not be possible: ALCO, Ambassador Mgmt., Apt. Mgmt. Group, Apollon Holdings, Avalon Holdings, Beardon Realty, Bernard Ellison Co., Better Building Mgmt. Co., Buckingham Cos., Cannon Austin & Cannon, Capital Growth, Capstone, Cherokee Properties, CLK, Coe Properties, Dattel Mgmt., Dial Equities, District Mgmt., Equity Mgmt. Inc., Fairfield Properties, Ferguson Property Group, First Choice Mgmt., Flaherty & Collins, Fogelman Properties, Fountain Bleu Mgmt., Freeman Webb, Gables Residential, GGF Holdings, GMH Capital Partners, Grant Co., Greystar Mgmt., Greystone, Guaranty Loan & Real Estate, Hallmark, Hayden Properties, Henry Turley Co., Heritage Properties, JCH Mgmt., JD Marx Realty, JS Property Mgmt., Key Property Mgmt., Kosen Development, LEDIC Mgmt. Group, Lexington Asset Mgmt., Lexington Investments, Lindsey Mgmt. Group, LM & Assoc., Madison Apt. Group, Makowsky, Ringel & Greenberg, Marshalls, McCormack & Baron, MD Mgmt. Group, MAA, MLS Professional Properties, Morgan Mgmt., Multi-South Mgmt. Service, Northern Incorporated Mgmt., Northland Investment Corp., NTS Realty, Oasis Apartment Properties, Orion Realty, Parkwood Mgmt., PEDCOR, Phineas Group, Pinnacle Mgmt. Group, Property Asset Mgmt., Property Solutions Group, RAM Partners LLC, Ridgepoint Properties, Riverstone Residential, Rivertown Development, Romack Co., Sagebrush Realty Investments, Inc., S.D. Bell & Co., Sentinel Realty, Signature Realty, Smith Investments, Standard Enterprises, Stonemark Mgmt., Summit Asset Mgmt., Sunchase American, Sunshine Corp., TESCO Properties, Tulane Holdings, United M, Van Rooy, West Corp., WRH Realty and Zenith Realty.

For more information regarding the MarketView, please contact:

Blake Pera, CCIM
 CBRE Memphis
 901.260.1156
 blake.pera@cbre.com

Tommy Bronson III
 CBRE Memphis
 901.260.1190
 tommy.bronson@cbre.com

www.cbre.com/mhgmempis

Follow us on Twitter @CBREMemphisMH