



COMMERCIAL REAL ESTATE E-Newsletter

June 2010

1st QTR. 2010 DATA

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Real Estate Data Sources

Apartment Association of Greater Memphis

Bloomberg.com

CB Richard Ellis

Chandler Reports, LLC

CoStar Group, Inc.

Insight Economics

MarketGraphics Research Group

Memphis Area Association of Realtors

PWC/Korpacz

Real Estate Research Corp.

RealtyRates.com

C&I Appraisal – Database

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Commercial Markets Flat in 1st Qtr. 2010

The following is based upon the most recent **CoStar Group, Inc.** and **CBRE MarketView** reports for the Memphis MSA.

RETAIL – Supply High/Tenants Scarce

- **200k + sf of positive** net absorption for 1st Qtr. 2010
- **No deliveries** in 1st qtr 2010
- **About 200k sf Shopping Center space under construction** in the MSA
- **MSA overall vacancy is around 15%**
- **Cordova, Collierville, Southaven-Horn Lake at 90% + occupancy**
- **Most submarkets at 82% to 89% occupancy in Shopping Centers**
- **Avg asking rate in Shopping Centers is below \$16 psf in best markets**
- **Leasing concessions available in many submarkets**



OFFICE – Most Indicators Unchanged

- **Class A & B negative** net absorption of less than 75k sf + in 1st qtr
- **East & 385 submarkets see negative 78ksf +/-** for the qtr
- **No deliveries** in 1st qtr 2010
- **Memphis MSA occupancy – Class A: 85% Class B: 81%**
- **Class A occupancy for East is 86% & 385 remains above 90%**
- **Shadow & Sublease space grows in many submarkets**
- **Class A quoted rates at \$25.39 psf for East submarket (unchanged)**
- **Class B quoted rates at \$18.49 psf for East submarket (unchanged)**
- **Availability rates expected to trend with unemployment rate**



INDUSTRIAL – Key Numbers Flat

- **Reports vary with negative** net absorption from 185k to 390k sf for the qtr
- **No Deliveries** in 1st qtr 2010
- **About 400k sf under construction**
- **Memphis MSA occupancy approximately 86%**
- **Southeast Bulk Whs Occupancy – 85%**
- **DeSoto County Bulk Whs Occupancy – 86%**
- **Avg quoted rent/sf in Bulk Whs for Southeast - \$2.55 +/-**
- **Avg quoted rent/sf in Bulk Whs for DeSoto - \$2.90 +/-**
- **Memphis MSA average quoted rent/sf in Bulk Whs – \$2.55 +/-**



Multi-Family – Rents Rise/Foreclosures Growing

- **Memphis MSA occupancy at 90.1%**
- **Memphis MSA average rent/sf - \$0.74**
- **Memphis MSA Rent Increase of 2.2% from YE 2009**
- **Buyers active in the Class A and Class C sectors**
- **Highest rent/mo. – Gtown/Cville & Downtown \$950 + to \$1,000 +**
- **Lowest Occupancy – East Winchester at 85%**
- **80's construction & newer at 91% to 92% occupancy**
- **4,400 + units foreclosed in past 12 mos.; 700 units in 1st qtr 2010**
- **600 units of positive absorption for the qtr**
- **168 units delivered in 1st qtr 2010**





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Cap Rates Stabilize/Improve

According to the Real Estate Research Corporation (RERC) "Real Estate Report", cap rates have been trending upward since 2007. These rates are shown for illustration purposes and are not indicative of the cap rates used for the majority of properties in the Memphis MSA.

The rates shown below are the NATIONAL AVERAGE for newer Class A properties. Other characteristics include occupancy by creditworthy tenants, good to excellent locations, contractual rent growth, established franchises and/or lease terms exceeding seven years.

OAR TRENDS - NATIONAL AVERAGES					
RERC Real Estate Report					
Date	Dec 06	Dec 07	Dec 08	Dec 09	Mar 10
Retail Cap Rates	6.80%	6.50%	7.70%	8.70%	8.30%
Office Cap Rates	7.20%	6.60%	7.80%	8.60%	8.40%
Industrial Cap Rates	6.80%	6.40%	7.60%	8.50%	8.20%
Apartment Cap Rates	6.00%	5.70%	6.70%	7.60%	6.90%

Based on this source, cap rates appear to be stabilizing and improving in some categories. Lending rates and availability of financing will continue to influence cap rates in the coming quarters.

Commercial Sale Volume & Pricing Change Little

This data applies to "non-bank" transactions and was published by Chandler Reports, LLC. More specific data pertaining to property type and by Zip Code is available on their website.

The data is basically flat from the same quarter in 2009. Investment buyers are seeking property and sale activity could grow in that arena in subsequent quarters.

As stated in the last issue, traditional investment purchases of performing assets are few. Investment buyers are seeking "A" quality/credit investments and distressed properties in "A" locations. Class A multi-family is showing signs of activity and at prices that would not be deemed "motivated."

Commercial Sale Activity - Shelby County		
2010 vs. 2009 Data		
Source: Chandler Reports, LLC		
Transactions		
1st qtr 2010	1st qtr 2009	% Chng
129	147	-12.2%
Average Sale Price/Sale		
1st qtr 2010	1st qtr 2009	% Chng
\$577,541	\$511,801	12.8%



Bank sale volume doubled from 7 sales in 1st qtr 2009 to 14 sales in the 1st qtr of 2010. The average price in 2010 is \$395,000 vs. \$185,000 in the same period of 2009.



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Lots Available - New Home Count Shrinks

The change in Lot Supply at March 2010 is down just slightly on a year to year basis. Demand continues to show weakness as reported by **MarketGraphics Research Group, Inc.** New home inventory continues a downward trend with a reduction of nearly 400 units from November of '09 to March '10.

March 2010 Lot Supply/Demand MEMPHIS MSA				
Source: MarketGraphics Research Group, Inc.				
	Mar 10	Mar 09	Chng	% Chng
Supply	17,141	17,607	(466)	-2.72%
Demand	1,177	1,969	(792)	-67.29%
Yrs. Supply	14.56	8.94	5.62	



NEW HOME INVENTORY - MEMPHIS MSA						
Source: Market Graphics Research Group						
Year	2005	2006	2007	2008	2009	Mar 10
New Home Inventory	5,583	6,061	5,524	3,893	2,362	1,975

2009 Home Permit Statistics MEMPHIS MSA			
Source: MarketGraphics Research Group, Inc.			
County	2009	2008	% Chng
Crittenden	63	101	-37.6%
Desoto	486	603	-19.4%
Fayette	115	267	-56.9%
Shelby	613	943	-35.0%
Tipton	120	166	-27.7%
Totals	1,397	2,080	-32.8%



Home Sales/Prices Stable

According to the **Memphis Area Association of Realtors** sale volume and pricing for all home types is flat compared to the same quarter in 2009. The 1st Time Buyer Tax Incentives influenced some of the volume. New home sales are nearly unchanged but the average price is down nearly 20%. The average price for all homes is nearly unchanged.

All Home Sale Statistics Shelby, Fayette & Tipton Counties			
Source: MAAR			
	1st Qtr '10	1st Qtr '09	% Chng
No. of Sales	3,108	3,271	-5.0%
Avg. Price	\$116,076	\$117,059	-0.8%
\$ Volume	\$360,764,208	\$382,899,989	-5.8%



New Home Sale Statistics Shelby, Fayette & Tipton Counties			
Source: MAAR			
	1st Qtr '10	1st Qtr '09	% Chng
No. of Sales	173	167	3.6%
Avg. Price	\$222,293	\$273,843	-18.8%
\$ Volume	\$38,456,689	\$45,731,781	-15.9%