COMMERCIAL REAL ESTATE E-Newsletter

Oct 2010 | **3rd QTR. 2010 DATA** | 3 pages

In This Issue

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

Xceligent, Inc.

C&I Appraisal – Database

Contact Us

www.ciappraisal.com

Todd Glidewell, MAI

(901) 753-6977 ext. 15

todd@ciappraisal.com

Commercial Markets Flat in 3rd Qtr. 2010

The following is drawn from the most recent Xceligent, Inc., CoStar Group, Inc. and CBRE MarketView reports for the Memphis MSA. Some margin of error exists due to variances in data reported by the respective sources.

RETAIL – Supply remains high / Absorption up slightly

- **40k + sf of positive net absorption for 3rd Qtr. 2010**
- **6 of 11 markets show positive net absorption in the qtr**
- **No deliveries in 3rd qtr 2010**
- **About 200k sf space under construction in the MSA**
- **MSA overall vacancy is around 14%; down 1% from previous qtr**
- **DeSoto County, East & Germantown submarkets under 10% in vacancy**
- **Avg asking rate in Strip Centers is $12.37 psf in MSA**

OFFICE – Most Indicators Show a Stable Market

- **Class A & B net absorption is virtually at ZERO sf YTD**
- **Class A at +13k sf and Class B at +49k sf for 3rd qtr**
- **East & 385 submarkets see positive 50k sf in 3rd qtr**
- **No deliveries in 3rd qtr 2010**
- **Memphis MSA occupancy – Class A: 90% Class B: 80%**
- **Class A occupancy for East is 86.5% & 385 Corridor is 91%**
- **Class B occupancy for East is 83% & 385 Corridor is 89%**
- **Class A quoted rates at $26.00 psf in East & $19.60 in 385 Corridor**
- **Class B quoted rates at $18.50 psf in East & $19.00 in 385 Corridor**
- **Availability rates expected to trend with unemployment rate**

INDUSTRIAL – Key Numbers Flat

- **Reports vary with positive net absorption from 700k to 950k sf YTD**
- **No deliveries reported in 3rd qtr 2010 by 2 of 3 sources**
- **Memphis MSA occupancy in ALL Whs categories is 86%**
- **Memphis MSA occupancy in Flex category is 87%**
- **Southeast Bulk Whs Occupancy – 87%**
- **DeSoto County Bulk Whs Occupancy – 92%**
- **Avg quoted rent/sf in Class A - Bulk Whs for Southeast - $2.56**
- **Avg quoted rent/sf in Class A - Bulk Whs for DeSoto - $3.00**
- **Memphis MSA average quoted rent/sf in Class A - Bulk Whs – $2.70**

Multi-Family – Apartments remain active

- **Memphis MSA occupancy at 92%**
- **Memphis MSA average rent/sf - $0.75**
- **Memphis MSA Rent Increase of 2.6% 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 – West Winchester at 80% by our estimates**
- **80's construction & newer continue to see 87%+ occupancy**
- **2,200+/- units foreclosed in 2010; 75% in the Class C category**
- **New Construction units had 750 units of positive absorption in 2nd Qtr**
- **400 units delivered through the 2nd qtr of 2010**

OCTOBER 2010

Page 2

To add a colleague to the distribution list, send the name, address, phone number and email address to Todd Glidewell, MAI at todd@ciappraisal.com.

To be removed from our distribution list please notify todd@ciappraisal.com.

Previous Issues

This issue and previous issues are available at no cost at www.ciappraisal.com when you select the "RECENT NEWS" link.

Contact Us

www.ciappraisal.com

Todd Glidewell, MAI

(901) 753-6977 ext. 15

todd@ciappraisal.com

Cap Rates Stabilize/Improve

According to the **Real Estate Research Corporation** (RERC) "Real Estate Report", cap rates have shown improvement in 2010 from prior years. *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	Oct 10
Retail Cap Rates	6.80%	6.50%	7.70%	8.70%	7.90%
Office Cap Rates	7.20%	6.60%	7.80%	8.60%	8.10%
Industrial Cap Rates	6.80%	6.40%	7.60%	8.50%	8.20%
Apartment Cap Rates	6.00%	5.70%	6.70%	7.60%	6.60%

Based on this source, cap rates appear to be improving in all categories. Lending rates and availability of financing will continue to influence cap rates and sale volume in the coming quarters. ***Sale prices may not benefit substantially with lower cap rates as the NOI for many properties is being pressured by rent reductions, concessions and vacancy.***

Sale Volume Flat - Pricing Rises

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 shows fewer sales but a higher average price when compared to 2009.

Commercial Sale Activity - Shelby County

YTD 2010 vs. 2009 Data *

Transactions

2010	2009	% Chng
385	425	-9.4%

Average Sale Price/Sale

2010	2009	% Chng
$790,000	$578,000	36.7%

****- Through the 3rd Qtr of the year***

The data in the table does not include Bank Sales which are reported at 34 transactions in 2010 with an average price of $390,000. This is eight more sales than in 2009 and the average price is up by more than $160,000.

OCTOBER 2010

Page 3

Affiliate Appraisers

Bill Powell, Jr., MAI

Hugh Greer

Andrew Trott

Dana Richardson

Chris Wilson

Riley Rector

Craig Johnson

Previous Issues

This issue and previous issues are available at no cost at www.ciappraisal.com when you select the "RECENT NEWS" link.

Contact Us

www.ciappraisal.com

Todd Glidewell, MAI

(901) 753-6977 ext. 15

todd@ciappraisal.com

Lots Shrink by 5% – New Homes Selling

The change in *Lot Supply* at Oct 2010 is down by 900 lots but the market still has a supply exceeding 10 years. *Demand* has improved the new home inventory as reported by **MarketGraphics Research Group, Inc.** ***New home inventory continues a downward trend with a reduction of over 700 units from November of '09 to September '10.***

Sept 2010 Lot Supply/Demand MEMPHIS MSA				
	Sept '10	Sept '09	Chng	% Chng
Supply	16,309	17,209	(900)	-5.52%
Demand	1,564	1,397	167	10.68%
Yrs. Supply	**10.43**	**12.32**	**(1.89)**	

NEW HOME INVENTORY - MEMPHIS MSA						
Year	2005	2006	2007	2008	2009	Sept 10
Inventory	5,583	6,061	5,524	3,893	2,362	1,600

YTD Home Permits * MEMPHIS MSA			
County	2010	2009	% Chng
Crittenden	37	51	-27.5%
Desoto	386	349	10.6%
Fayette	103	87	18.4%
Shelby	647	433	49.4%
Tipton	83	78	6.4%
Totals	**1,256**	**998**	**25.9%**

***- Through September*

Home Sales/Prices Stable

According to the **Memphis Area Association of Realtors** sales and pricing for all home types is flat compared to 2009. All home sales are nearly unchanged as is the average price when compared to the prior year. New home sales show a 10% increase in volume but a 13% decline in average price.

Home Sale Statistics - MAAR.org Shelby, Fayette & Tipton Counties			
	YTD Aug '10	YTD Aug '09	% Chng
No. of Sales	9,783	10,023	-2.4%
Avg. Price	$127,643	$126,386	1.0%
$ Volume	$1,248,731,469	$1,266,766,878	-1.4%

New Home Sale Statistics Shelby, Fayette & Tipton Counties			
	YTD Aug '10	YTD Aug '09	% Chng
No. of Sales	539	493	9.3%
Avg. Price	$225,780	$259,167	-12.9%
$ Volume	$121,695,420	$127,769,331	-4.8%