



MEMPHIS MSA Real Estate Newsletter

May 2011

1st QTR. 2011 DATA

3 pages

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Data Sources

Apartment Association of Greater Memphis

Bankrate.com

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

TN Dept. of Labor

Xceligent, Inc.

C&I Appraisal – Database

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Commercial Markets Show Stability/Improvement

The following is drawn from the most recent Xceligent, Inc., CoStar Group, Inc., Apartment Association of Greater Memphis and CBRE MarketView reports for the Memphis MSA. Some figures are interpolated and estimated due to variances in the data reported by the respective sources.

RETAIL – No significant change from YE '10

- Less than 25k sf of positive net absorption in 1st Qtr
- 6 of 11 markets show positive net absorption in 1st Qtr
- Just over 35k sf in deliveries in 1st Qtr
- About 125k sf space under construction in the MSA
- MSA overall vacancy same as YE 2010 at 14%
- Collierville, East & Germantown submarkets are the MSA leaders
- Southaven/Horn Lake submarket showing stability in vacancy and rate
- Avg lease rate in Strip Centers is \$12.70 psf in MSA, up 1.2% from YE 2010



OFFICE – Occupancy down slightly; Rents flat

- Class A & B positive net absorption remains elusive in the MSA
- Class A at +10k sf and Class B at -12k sf for 1st Qtr for the entire market
- East at 7,000 sf net absorption & 385 submarkets at -20k sf in the qtr
- Construction limited to smaller build-to-suits, if any
- Memphis MSA occupancy – Class A: 88% Class B: 82%
- Class A occupancy for East is 86% & 385 Corridor is 90%
- Class B occupancy for East is 82% & 385 Corridor is 85%
- Class A quoted rates at \$26.00 psf in East & \$19.50 in 385 Corridor
- Class B quoted rates at \$18.25 psf in East & \$19.00 in 385 Corridor
- Leasing activity is increasing based on comments from market participants



INDUSTRIAL – Numbers attractive to Prospects

- Reports vary with negative net absorption from 500k to 1.1 sf in 1st Qtr
- No substantial deliveries in the quarter
- Memphis MSA occupancy in ALL Whs categories is approximately 85%
- Memphis MSA occupancy in Flex category is approximately 81%
- Southeast Bulk Whs Occupancy - 86%
- DeSoto County Bulk Whs Occupancy - 90%
- Avg quoted rent/sf in Class A - Bulk Whs for Southeast - \$2.40
- Avg quoted rent/sf in Class A - Bulk Whs for DeSoto - \$2.90
- Memphis MSA continues to attract due to infrastructure and costs



Multi-Family – Apartment numbers are steady

- Memphis MSA occupancy at 90%+ excluding distressed properties
- Memphis MSA average rent/sf - \$0.74
- Memphis MSA Rent rises slightly in 1st Qtr
- Buyers active in all classes; Financing is available from many sources
- Highest rent/mo. - Gtown/Cville & Downtown
- Lowest Occupancy - West Winchester & Frayser at 77% to 79%
- Delinquency rates average 4% in the MSA
- There were 19 sales in 1st Qtr vs. 10 in 1st Qtr 2010 - bank sales excluded
- About 250 units to be delivered in 2011





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Cap Rates Remain Mixed

According to the Real Estate Research Corporation (RERC) "Real Estate Report", cap rates are mixed compared to the prior qtr. Credit availability is improving which may lead to more buyers in the market. These rates are shown for illustration purposes and are not indicative of the cap rates ordinarily 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.

Table with 4 columns: Property, Current Qtr, Previous Qtr, % Change. Rows include Power/Anchored Center, Neighborhood Strip Center, Suburban Office, Medical Office, Flex Industrial, Warehouse, Apartment, Mini-Storage, Hotel, Net Leased.



1 - PWC/Korpacz National Survey is source for this data

- Lending rates and availability of financing will continue to influence cap rates and sale volume in the coming quarters.
Many buyers are basing the purchase price on the "in-place" NOI and give little weight to potential income on vacant space.

Sale Volume & - Pricing Grow Substantially

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 sales to be flat vs. 2009 but a higher average price when compared to the prior year.

Table with 3 columns: 2011, 2010, % Chng. Rows include Transactions (152 vs 131, 16.0%) and Average Sale Price/Sale (\$848,876 vs \$570,289, 48.9%).





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Unemployment/Lending Rates Improve

The unemployment rate for the MSA shows a 50 bp improvement from the same month in 2010. Local employment is trending with national numbers. The MSA unemployment levels lag the national average but are expected to lessen that gap in coming quarters.

Bankrate.com has mortgage loan rates at levels well below the 2010 figures for the same time frame.

CATEGORY	CURRENT	1 MONTH PRIOR	6 MONTH PRIOR	1 YEAR PRIOR
Unemployment Memphis MSA	9.9	10.4	9.6	10.4
Unemployment National	8.8	8.9	9.7	9.7
Prime Rate	3.25	3.25	3.25	3.25
15-Year Mortgage	4.09	4.08	3.68	4.42
30-Year Mortgage	4.86	4.83	4.3	5.1
1-Year ARM	3.22	3.21	3.25	4.16



*-Unemployment numbers subject to seasonal adjustment

Home Sale Volume Down but Prices Rise

According to the Chandler Reports, LLC existing home sales are down 12.5% from 1st qtr '10 but the average price has improved by over 6%. New home volume declined by nearly 100 units but the average price grew by 5%. The average price of all home sales is up by 4.5% from the 1st quarter of 2010.

1st Qtr 2011 Home Sales SHELBY COUNTY			
Source: Chandler Reports, LLC			
	1st Qtr '11	1st Qtr '10	% Chng
<i>Existing Home Sales</i>			
No. of Sales	2,503	2,862	-12.5%
Avg. Price	\$109,635	\$103,044	6.4%
\$ Volume	\$274,416,405	\$294,911,928	-6.9%
<i>New Home Sales</i>			
No. of Sales	158	233	-32.2%
Avg. Price	\$225,073	\$214,310	5.0%
\$ Volume	\$35,561,534	\$49,934,230	-28.8%
<i>All Home Sales</i>			
No. of Sales	2,661	3,095	-14.0%
Avg. Price	\$116,489	\$111,420	4.5%
\$ Volume	\$309,977,939	\$344,846,158	-10.1%



Homes priced under \$100k comprised 60% of the quarterly sale volume. Homes from \$100k to \$200k represent 22% of the sales. Homes priced over \$650k make up just 1% of the sale volume. There were 5 home sales over \$1 million in the 1st quarter. The top three zip codes in total sale volume are as follows:

Top Three Zip Codes for Home Sales			
Zip Code	Neighborhood	Sales	Avg Price
38016	Cordova North	163	\$138,958
38128	Raleigh	145	\$43,492
38017	Collierville	142	\$266,413