



COMMERCIAL REAL ESTATE E-Newsletter

June 2009

C&I APPRAISAL SERVICES, INC.

2nd QTR 2009, 2pages

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Real Estate Data Sources

Chandler Reports, LLC

MarketGraphics Research Group

Memphis Area Association of Realtors

CoStar Group, Inc.

CB Richard Ellis

PricewaterhouseCoopers

Real Estate Research Corp.

Insight Economics

*C&I Appraisal – Internal Database
This database contains over
8,000 confirmed commercial
sales and rent comparables*

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Commercial Markets Flat to Declining

The following is drawn from the **CoStar Group, Inc.** and **CBRE MarketView** reports for the Memphis MSA.


RETAIL (1st Qtr '09) Trends continue decline

- **Positive 275k sf** of net absorption in quarter
 - Qtr Deliveries of 140k sf (East had 130k sf)
 - About 250k sf under construction in the MSA
 - MSA overall vacancy is around 10%
 - Highest quoted rent/sf – East submarket at \$22+
 - Just Three of Eleven submarkets over 90% occ in Shopping Centers
 - One Investment Sale transaction over \$1 million (Walgreens)
 - Leasing concessions on the rise
 - Occupancy & Rents expected to trend down for remainder of '09
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OFFICE (1st Qtr '09) – Downward Trends Slow

- Class A net absorption of **negative 75k sf** in quarter
 - Class B has **positive 100k sf** in net absorption for quarter
 - No deliveries in the quarter
 - Memphis MSA occupancy – Class A: 87% Class B: 82%
 - Class A occupancy for East & 385 remains above 90%
 - No known Investment Sale transactions over \$1 million in the qtr
 - Sublease space rises
 - Highest quoted Class A rent/sf – East at \$23+
 - Occupancy & Rents should reach the floor by end of '09
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INDUSTRIAL (1st Qtr '09) – Occupancy shrinks slightly

- **Negative 500k sf** in net absorption in qtr
 - 100k sf of Deliveries in qtr (Southeast)
 - Less than 500k sf under construction
 - Memphis MSA occupancy approximately 85%
 - Southeast Bulk Whs Occupancy – 84%
 - DeSoto County Bulk Whs Occupancy – 84%
 - Avg quoted rent/sf in Bulk Whs for Southeast - \$2.65 +/-
 - Avg quoted rent/sf in Bulk Whs for DeSoto - \$3.20 +/-
 - Memphis MSA average rent/sf in Bulk Whs – \$2.60 +/-
 - No known Investment Sale transactions over \$1 million in the qtr
 - Best markets are expected to remain flat in 2009
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Multi-Family (1st Qtr '09) – Flat to slight decline from YE '08

- Total inventory of nearly 100,000 units in sample
 - Memphis MSA occupancy at 90%
 - Memphis MSA average rent/sf - \$0.741
 - **Rent Growth** - 2.4% increase over YE '08
 - Best Occupancy – Cordova at 92.5%
 - Highest avg. rent/mo. – Gtown/Cville & Downtown \$960 to \$995
 - Lowest Occupancy – East & West Winchester at 86%
 - Most 80's construction & newer at 88% + occupancy
 - 182 units completed in qtr (Cordova mkt)
 - Three "Arms-Length" Sale transactions over \$1 million in the qtr
 - Unit supply will shrink in some mature submarkets
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Cap Rates on the Rise

According to the **Real Estate Research Corporation** (RERC) "Real Estate Report", 1st Qtr 2009 cap rates have matched those of 2004 levels. This indicates an increase over previous years. The **Korpacz** "Real Estate Investor Survey" for the 1st Qtr of 2009 mirrors this sentiment. There are very few local transactions to test the data but these published buyer expectations are a good indicator for trends in pricing. The rates shown below apply to newer Class A properties in good to excellent locations.

RERC - 1st Tier Properties - South Region			
Property	Average Cap Rates		
	Current Qtr	1st Qtr 2008	1 Yr Change
Power Center	8.30%	7.00%	1.30%
Strip Center	8.50%	7.10%	1.40%
Suburban Office	8.30%	7.40%	0.90%
Medical Office*	8.01%	n/a	n/a
Flex Industrial	8.50%	7.60%	0.90%
Warehouse	8.30%	7.30%	1.00%
Apartment	8.00%	7.10%	0.90%
Ltd Svc Hotel*	10.75%	9.58%	1.17%
Net Leased *	8.58%	7.63%	0.95%

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

Home Sales/Prices Show Declines

According to **Chandler Reports, LLC** 1st Qtr '09 home sales declined substantially from the same quarter in 2008. The **Memphis Area Association of Realtors** reports a significant decline in new home sales for 1st Qtr '09 vs. 1st Qtr '08. New home prices are holding while existing home prices continue to decline.

All Home Sale Statistics - 1st Qtr '09 - Shelby County			
Source: Chandler Reports, LLC			
	Q1 '09	Q1 '08	% Chng
No. of Sales	3,072	4,101	-25.1%
Avg. Price	\$115,223	\$129,098	-10.7%
\$ Volume	\$353,965,056	\$529,430,898	-33.1%

New Home Sale Statistics - 1st Qtr '09 - Memphis MSA			
Source: MAAR			
	Q1 '09	Q1 '08	% Chng
No. of Sales	167	290	-42.4%
Avg. Price	\$273,843	\$278,047	-1.5%
\$ Volume	\$45,731,781	\$80,633,630	-43.3%

