MID-SOUTH COMMERCIAL REAL ESTATE E-Newsletter

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Data Sources

Chandler Reports, LLC
Chandler Reports, LLC your first choice for Memphis MSA Real Estate public information and sale data

MarketGraphics Research Group
Publishes an extensive report on home construction and lot supply three times per year in Memphis MSA and many other US markets

CoStar Group, Inc.
The #1 provider of local and national real estate sale, rental and public information

CB Richard Ellis
CBRE MarketView is published quarterly by the commercial real estate firm offering brokerage, management, leasing and consulting services

PricewaterhouseCoopers
Publisher of the Korpacz Real Estate Investor Survey published quarterly

Real Estate Research Corp.
Publisher of the RERC Real Estate Report published quarterly

C&I Appraisal - Internal Database
This database contains over 7,000 confirmed commercial sales and rent comparables

Home Sales/Prices Continue to Fall

According to **Chandler Reports, LLC** **2nd Qtr 2008** *home sales* declined from the same period in 2007.

2nd Qtr 2008 Home Sale Statistics Source: Chandler Reports, LLC			
	Q2 '07	Q2 '08	% Chng
All Home Sales			
No. of Sales	5,536	4,437	-19.9%
Avg. Price	$160,299	$142,389	-11.2%
$ Volume	$887,415,264	$631,779,993	-28.8%

Demand Shrinks Faster than Supply

Home starts at YTD July were down 60% states **MarketGraphics Research Group, Inc.**; demand falls nearly 25%.

July 2008 Home Permit Statistics Source: MarketGraphics Research Group, Inc.			
County	July '07	July '08	% Chng
Crittenden	140	71	-49.3%
Desoto	1,244	415	-66.6%
Fayette	465	213	-54.2%
Shelby	1,569	669	-57.4%
Tipton	300	120	-60.0%
Totals	**3,718**	**1,488**	**-60.0%**

May 2008 Lot Supply/Demand Source: MarketGraphics Research Group, Inc.				
	Jan '08	May '08	Chng	% Chng
Supply	17,900	17,600	(300)	-1.68%
Demand	5,300	4,200	(1,100)	-20.75%
Yrs. Supply	**3.38**	**4.19**	**0.81**	**24.08%**

Markets Vary in Trends/Data

The statistical data that follows was taken from the **CoStar Group, Inc.** **and** **CBRE MarketView** market reports for the Memphis MSA.

RETAIL (2nd Qtr 08) – Trends flat to declining

- Positive YTD absorption of over 300k sf in the MSA
- YTD Deliveries of just over 300k sf
- Nearly 1.4 million sf under construction

Retail Continued

- Memphis MSA overall vacancy is around 10%
- Highest quoted rent/sf – East submarket at $23.45
- All but three submarkets under 10% vacancy
- Sale & lease transaction velocity has declined
- Leasing concessions expected to increase
- Rents expected to trend down for next twelve months

OFFICE (2nd Qtr 08) – Some declines projected

- NEGATIVE Net absorption in the quarter & YTD
- Positive YTD net absorption in Class A
- Just 65k sf of deliveries in the quarter (East mkt)
- Over 400k sf under construction in Class A
- Memphis MSA occupancy at about 85%
- Class A occupancy for East is above 90%
- Class A occupancy for 385 Corridor is above 90%
- Sublease space on the rise
- Highest quoted Class A rent/sf – East at $25.19
- Rents expected to trend down through end of 2008

INDUSTRIAL (2nd Qtr 08) – Numbers hold steady

- Over 800k absorption in the quarter and 1.3 million sf YTD
- No deliveries in the quarter; Just 850k sf YTD
- Over 1.7 million sf under construction
- Memphis MSA occupancy approximately 85%
- Southeast mkt leads in absorption of Whs space
- Southeast occupancy – 87%
- DeSoto County occupancy – 79%
- Avg quoted rent/sf in Bulk Whs for Southeast - $2.59
- Avg quoted rent/sf in Bulk Whs for DeSoto - $3.15
- Memphis MSA average rent/sf in Bulk Whs – $2.60
- Economy expected to pressure rents & occupancy

Multi-Family (2nd Qtr 08) – Positive numbers for the year

Total inventory of nearly 100,000 units

- Memphis MSA occupancy at 90%
- Memphis MSA average rent/sf - $0.733
- Rent Growth - 2.0% increase over YE 2007
- Best Occupancy – Downtown & DeSoto at 94.5%
- Highest monthly rent – Downtown $985
- Lowest Occupancy – East Winchester at 84%
- ALL 80's construction & newer at 92% + occupancy
- Over 690 units completed YTD with more expected
- Growth in renters due to home foreclosures could boost multi-family

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