



COMMERCIAL REAL ESTATE E-Newsletter

September 2009

C&I APPRAISAL SERVICES, INC. 3rd QTR 2009, 3 pages

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Real Estate Data Sources

Apartment Association of Greater Memphis

CB Richard Ellis

Chandler Reports, LLC

CoStar Group, Inc.

Insight Economics

MarketGraphics Research Group

Memphis Area Association of Realtors

PricewaterhouseCoopers

Real Estate Research Corp.

RealtyRates.com

C&I Appraisal – Database

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Commercial Markets Summary - 2nd Qtr 2009

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

RETAIL Trends continue decline

- **Negative 155k sf** of net absorption for YTD
- YTD Deliveries of 148k sf (East had 130k sf)
- About 270k sf under construction in the MSA
- MSA overall vacancy is around 10%
- Highest quoted rent/sf – East submarket at \$19+
- Three of the Eleven submarkets over 90% occ in Shopping Centers
- Two Investment Sale transactions over \$1 million YTD
- Leasing concessions available in most submarkets
- Occupancy & Rents expected to trend down for remainder of '09



OFFICE – Downward trends continue at a lesser pace

- Class A & B **negative** net absorption of approximately **50k sf** in quarter
- East submarket has **negative 52k sf** in net absorption for quarter
- No substantial deliveries in the quarter
- Memphis MSA occupancy – Class A: 88% 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+
- Availability rates expected to trend with unemployment rate



INDUSTRIAL – Better markets show little change

- **Negative 1,000,000 sf** in net absorption in qtr
- No substantial deliveries in the quarter
- Less than 500k sf under construction
- Memphis MSA occupancy approximately 85%
- Southeast Bulk Whs Occupancy – 85%
- DeSoto County Bulk Whs Occupancy – 80%
- Avg quoted rent/sf in Bulk Whs for Southeast - \$2.65 +/-
- Avg quoted rent/sf in Bulk Whs for DeSoto - \$3.00 +/-
- Memphis MSA average rent/sf in Bulk Whs – \$2.70 +/-
- No known Investment Sale transactions over \$1 million in the qtr
- Best markets are expected to remain flat through YE 2009



Multi-Family – Flat rent but positive absorption for the quarter

- Total inventory of nearly 55,000 units +/- in sample
- Memphis MSA occupancy at 90%
- Memphis MSA average rent/sf - \$0.73
- **Rent Decline** - less that **0.5%** from YE 2008
- Best Occupancy – Cordova, DeSoto & Downtown at 92%+
- Highest avg. rent/mo. – Gtown/Cville & Downtown \$925 to \$950
- Lowest Occupancy – West Winchester at 85%
- Most 80's construction & newer at 90% + occupancy
- **1,800+ units foreclosed YTD**; Most in the 38116 zip code
- **500+ units of positive absorption** in the quarter





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Cap Rates Indicate Slight Rise

According to the **Real Estate Research Corporation** (RERC) "Real Estate Report", 2nd Qtr 2009 cap rates continue to trend upward. **CBRE and Korpacz** investor surveys support that sentiment. There are very few local transactions to test this data but the published buyer expectations are a good indicator for trends in pricing.

The rates shown below most often apply to 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.

RERC - 1st Tier Properties - South Region			
Property	Average Cap Rates		
	Current Qtr	Previous Qtr	% Change
Power/Anchored Center	8.40%	8.30%	0.10%
Neighborhood Strip Center	8.50%	8.50%	0.00%
Suburban Office	8.40%	8.30%	0.10%
Medical Office ¹	8.58%	8.01%	0.57%
Flex Industrial	8.50%	8.50%	0.00%
Warehouse	8.20%	8.30%	-0.10%
Apartment	8.10%	8.00%	0.10%
Mini-Storage ²	7.92%	n/a	
Ltd Svc Hotel ²	9.50%	n/a	
Net Leased ¹	8.83%	8.58%	0.25%

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

2 - CB Richard Ellis National Investor Survey is source for this data

Commercial Sales Decline from 2008

This data applies to "non-bank" transactions and was published by **Chandler Reports, LLC** in the 1st and 2nd quarters of this year. More specific data pertaining to property type and by Zip Code is available on their website.

The data is no surprise to anyone and illustrates the limited sale activity in 2009. We attribute the declines to lack of capital and funding in the marketplace coupled with the economic downturn. There remains a substantial "disconnect" between the Ask and Bid prices in nearly every sector of the market.

Commercial Sale Activity - Shelby County		
Year to Date - 2nd Qtr 2009		
Source: Chandler Reports, LLC		
Transactions		
YTD 09	YTD 08	% Chng
268	465	-42.4%
\$ Volume		
YTD 09	YTD 08	% Chng
\$127,510,782	\$481,026,390	-73.5%





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Lots Plentiful - New Home Count Plummets

Lot Supply at July 2009 is virtually unchanged but Demand continues to plummet as reported by **MarketGraphics Research Group, Inc.** New home inventory in July '09 represents a reduction of over 1,800 units from July '08 which is a 40% decline.

July 2009 Lot Supply/Demand MEMPHIS MSA				
Source: MarketGraphics Research Group, Inc.				
	July 09	July 08	Chng	% Chng
Supply	17,534	17,636	(102)	-0.58%
Demand	1,120	4,230	(3,110)	-277.68%
Yrs. Supply	15.66	4.17	11.49	73.37%

May 2009 Home Permit Statistics MEMPHIS MSA			
Source: MarketGraphics Research Group, Inc.			
County	YTD 5/09	YTD 5/08	% Chng
Crittenden	23	53	-56.6%
Desoto	145	300	-51.7%
Fayette	31	158	-80.4%
Shelby	196	506	-61.3%
Tipton	35	80	-56.3%
Totals	430	1,097	-60.8%

NEW HOME INVENTORY - MEMPHIS MSA					
Source: Market Graphics Research Group					
Year	2005	2006	2007	2008	July '09
New Home Inventory	5,583	6,061	5,524	3,893	2,733

Home Sales/Prices Show Declines

According to the **Memphis Area Association of Realtors** sale volume and pricing has trended down as expected. There is a significant decline in new home sales for '09 vs. '08 but new home prices are holding better than existing homes.

Third Qtr '09 numbers are projected to reflect a measurable improvement in the housing market.

All Home Sale Statistics Shelby, Fayette & Tipton Counties			
Source: MAAR			
	YTD 09	YTD 08	% Chng
No. of Sales	7,256	9,123	-20.5%
Avg. Price	\$121,933	\$138,987	-12.3%
\$ Volume	\$884,745,848	\$1,267,978,401	-30.2%

New Home Sale Statistics Shelby, Fayette & Tipton Counties			
Source: MAAR			
	YTD 09	YTD 08	% Chng
No. of Sales	356	646	-44.9%
Avg. Price	\$264,307	\$280,077	-5.6%
\$ Volume	\$94,093,292	\$180,929,742	-48.0%