



COMMERCIAL REAL ESTATE E-Newsletter

March 2010

YEAR-END 2009 DATA

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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

PWC/Korpacz

Real Estate Research Corp.

RealtyRates.com

C&I Appraisal – Database

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Commercial Markets Summary - Year-End 2009 Data

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


RETAIL – Supply Abundant/Demand Limited

- **350k+ sf of positive** net absorption for 2009
 - 2009 Deliveries of 200k sf (East had 130k sf)
 - About 400k sf under construction in the MSA
 - MSA overall vacancy is around 12%
 - Cordova, Collierville, East submarkets maintain 90%+ occupancy
 - Most submarkets at 82% to 89% occupancy in Shopping Centers
 - Avg asking rate in Shopping Centers is below \$15 psf in best markets
 - Leasing concessions available in many submarkets
 - No improvements in Occupancy & Rent expected in next two quarters
- 


OFFICE – Modest Declines in '09

- Class A & B **negative** net absorption of 150k sf+ for the year
 - East & Downtown submarkets see **negative 70k sf +/-** for the year
 - 145k sf+ delivered for the year (East)
 - Memphis MSA occupancy – Class A: 88% Class B: 80%
 - **Class A occupancy for East & 385 remains above 90%**
 - Shadow & Sublease space grows in many submarkets
 - Class A quoted rates at \$25 psf for East submarket
 - Class B quoted rates at \$18.70 psf for East submarket
 - Availability rates expected to trend with unemployment rate
- 

INDUSTRIAL – Rents Maintain Occupancy Levels

- Reports vary with **negative** net absorption from 900k to 2M sf the year
 - 2009 deliveries of less than 300k sf
 - Less than 500k sf under construction
 - Memphis MSA occupancy approximately 85%
 - Southeast Bulk Whs Occupancy – 85%
 - DeSoto County Bulk Whs Occupancy – 84%
 - Avg quoted rent/sf in Bulk Whs for Southeast - \$2.60 +/-
 - Avg quoted rent/sf in Bulk Whs for DeSoto - \$2.92 +/-
 - Memphis MSA average quoted rent/sf in Bulk Whs – \$2.50 +/-
 - Best markets are expected to improve occupancy in 1st half of 2010
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Multi-Family – Rents flat/Vacancy climbs

- Total inventory of 56,000 units +/- in sample
 - Memphis MSA occupancy at 89%
 - Memphis MSA average rent/sf - \$0.74
 - Rent Decline - less than **1/2%** from YE 2008
 - **Buyers exist & sales activity outpacing other sectors**
 - Highest rent/mo. – Gtown/Cville & Downtown \$950 to \$1,000+
 - Lowest Occupancy – East Winchester at 84%
 - 80's construction & newer at 88%+ occupancy
 - **3,000+ units foreclosed**; Some expected to exit the market
 - **Positive Absorption** for the year
 - 1,110 units delivered in 2009
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Cap Rates Up 200 bp from Peak Levels

According to the Real Estate Research Corporation (RERC) "Real Estate Report", cap rates have trended upward consistently since 2007. Korpacz investor survey parallels this data.

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.

Table with 6 columns: Date, Dec 06, Dec 07, June 08, Dec 08, Dec 09. Rows include Retail Cap Rates, Office Cap Rates, Industrial Cap Rates, and Apartment Cap Rates.

Commercial Sales Decline 30% from 2008 Data

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.

Based on our assignments in 2009, the majority of buyers in 2009 were users. Business owners are taking advantage of pricing and supply in the soft market.

Traditional investment purchases of performing assets are few. Investment buyers exist but owners are not selling properties that are at break-even or better. Owners are expected to hold properties until the market shows signs of improvement.

Table titled 'Commercial Sale Activity - Shelby County 2009 vs. 2008 Data'. Source: Chandler Reports, LLC. Includes rows for Transactions and Average Sale Price/Sale with columns for YE 09, YE 08, and % Chng.





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2009 Home Sales/Prices Below 2008

According to the **Chandler Reports, LLC** sale volume and pricing is down from 2008 but pricing declines are low in the existing home sector. Pricing for existing homes is down just 4% on average whereas other markets in the US are seeing double digit losses in price. New home average pricing fell by just 9% and there was a decline of just 6% in the average price for all homes in Shelby County.

Year End 2009 Home Sale Statistics SHELBY COUNTY			
Source: Chandler Reports, LLC			
	2009	2008	% Chng
<i>Existing Home Sales</i>			
No. of Sales	13,510	14,929	-9.5%
Avg. Price	\$114,108	\$118,618	-3.8%
\$ Volume	\$1,541,599,080	\$1,770,848,122	-12.9%
<i>New Home Sales</i>			
No. of Sales	1,083	1,477	-26.7%
Avg. Price	\$243,392	\$268,167	-9.2%
\$ Volume	\$263,593,536	\$396,082,659	-33.4%
<i>All Home Sales</i>			
No. of Sales	14,593	16,406	-11.1%
Avg. Price	\$123,703	\$132,082	-6.3%
\$ Volume	\$1,805,192,616	\$2,166,930,781	-16.7%

Market Rates

CATEGORY	CURRENT	1 MONTH PRIOR	6 MONTH PRIOR	1 YEAR PRIOR
Prime Rate	3.25	3.25	3.25	3.25
Unemployment Rate	9.7	10	9.4	7.7
15-Year Mortgage	4.48	4.51	4.8	4.86
30-Year Mortgage	5.1	5.11	5.31	5.26
1-Year ARM	3.68	3.74	3.96	5.21

Source: <http://www.bloomberg.com/markets/rates/keyrates.html>