



COMMERCIAL REAL ESTATE E-Newsletter

December 2009

C&I APPRAISAL SERVICES, INC.

4th 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

PWC/Korpacz

Real Estate Research Corp.

RealtyRates.com

C&I Appraisal – Database

Contact Us

www.ciappraisal.com


Todd Glidewell, MAI

(901) 753-6977 ext. 15
todd@ciappraisal.com


Commercial Markets Summary - 3rd Qtr 2009 Data

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


RETAIL - Market supply outweighs demand

- **500k+ sf of positive** net absorption for YTD
 - YTD Deliveries of 175k sf (East had 130k sf)
 - About 300k sf under construction in the MSA
 - MSA overall vacancy is around 11%
 - **Asking Rental Rates decline**
 - Most submarkets at 82% to 89% occupancy in Shopping Centers
 - Four known Investment Sale transactions over \$1 million thru 11/09
 - **Leasing concessions available in many submarkets**
 - No improvements in Occupancy & Rent expected in next two quarters
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OFFICE – Market may be stabilizing

- Class A & B **negative** net absorption of approximately **30k sf** in quarter
 - East & 385 submarkets have **negative 20k sf** in net absorption in quarter
 - No substantial deliveries in the quarter
 - Memphis MSA occupancy – Class A: 88% Class B: 80%
 - **Class A occupancy for East & 385 remains above 90%**
 - One known Investment Sale transaction over \$1 million thru 11/09
 - Sublease space rises in most submarkets
 - Highest quoted Class A rent/sf – East at \$25+
 - Availability rates expected to trend with unemployment rate
- 

INDUSTRIAL – Better markets show little change

- No substantial deliveries in the quarter
 - Less than 500k sf under construction
 - Memphis MSA occupancy approximately 87%
 - Southeast Bulk Whs Occupancy – 87%
 - DeSoto County Bulk Whs Occupancy – 85%
 - Avg quoted rent/sf in Bulk Whs for Southeast - \$2.55 +/-
 - Avg quoted rent/sf in Bulk Whs for DeSoto - \$3.09 +/-
 - Memphis MSA average rent/sf in Bulk Whs – \$2.51 +/-
 - Three known Investment Sale transactions over \$1 million thru 11/09
 - Best markets are expected to remain flat through 1st half of 2010
- 

Multi-Family – Rents flat/Vacancy climbs

- Total inventory of 57,000 units +/- in sample
 - Memphis MSA occupancy below 89%
 - Memphis MSA average rent/sf - \$0.73
 - **Rent Decline** - less than **0.5%** from YE 2008
 - **Investors seeking deals and sales activity outpacing other sectors**
 - Highest quoted rent/mo. – Gtown/Cville & Downtown \$950 to \$1,000+
 - Lowest Occupancy – Southeast at 82%
 - **Most** 80's construction & newer at 88% to 90% occupancy
 - **3,000+ units foreclosed thru 11/09**; 35% of total in the 38116 zip code
 - **Positive Absorption** in the quarter offsets losses in first half of 09
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todd@ciappraisal.com

Cap Rates Pressure Pricing

According to the **Real Estate Research Corporation** (RERC) "Real Estate Report", 3rd Qtr 2009 cap rates continue to trend upward. **Korpacz** investor survey supports that sentiment. The surveys are the best guide for value changes in the absence of local sales volume.

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 - National Sample			
Property	Average Cap Rates		
	3rd Qtr 09	3rd Qtr 08	% Change
Power/Anchored Center	8.70%	7.30%	1.40%
Neighborhood Strip Center	8.60%	7.30%	1.30%
Suburban Office	8.60%	7.10%	1.50%
Medical Office ¹	8.91%	n/a	
Flex Industrial	8.80%	7.20%	1.60%
Warehouse	8.30%	7.00%	1.30%
Apartment	7.50%	6.40%	1.10%
Hotel	9.70%	8.10%	1.60%
Net Leased ¹	8.90%	7.65%	1.25%

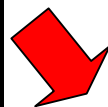
1 - PWC/Korpacz National Survey is source for this data

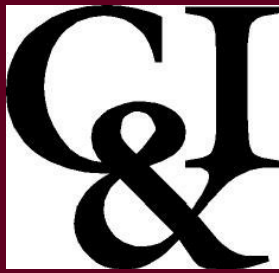
Commercial Sales Lag 2008 Volume

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.

Many buyers remain on the sidelines. We believe that many potential buyers exist but equity requirements exceed the levels that investors wish to inject into deals. Assumptions of existing debt, seller financing and other "creative" financing will be common in many transactions.

Commercial Sale Activity - Shelby County		
3rd Qtr 2009		
Source: Chandler Reports, LLC		
Transactions		
YTD 09	YTD 08	% Chng
408	639	-36.2%
\$ Volume		
YTD 09	YTD 08	% Chng
\$229,007,253	\$633,518,977	-63.9%





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Affiliate Appraisers

Bill Powell, Jr., MAI, CCIM

Hugh Greer

Andrew Trott

Dana Richardson

Chris Wilson

Riley Rector

Craig Johnson

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Lots Plentiful - New Home Count Shrinks

The change in *Lot Supply* at November 2009 is insignificant and *Demand* continues to wane as reported by **MarketGraphics Research Group, Inc.** *New home inventory in November 09 represents a reduction of over 1,500 units (-18%) from November 08.* This data source tracks all aspects of the new home market with specific details on most subdivisions available to its subscribers.

November 2009 Lot Supply/Demand				
MEMPHIS MSA				
Source: MarketGraphics Research Group, Inc.				
	Nov 09	Nov 08	Chng	% Chng
Supply	17,247	17,820	(573)	-3.32%
Demand	1,137	2,451	(1,314)	-115.57%
Yrs. Supply	15.17	7.27	7.90	52.07%

Nov 2009 Home Permit Statistics			
MEMPHIS MSA			
Source: MarketGraphics Research Group, Inc.			
County	YTD 11/09	YTD 11/08	% Chng
Crittenden	56	146	-61.6%
Desoto	387	625	-38.1%
Fayette	88	250	-64.8%
Shelby	551	1,289	-57.3%
Tipton	55	142	-61.3%
Totals	1,137	2,452	-53.6%

NEW HOME INVENTORY - MEMPHIS MSA					
Source: Market Graphics Research Group					
Year	2005	2006	2007	2008	2009
New Home Inventory	5,583	6,061	5,524	3,893	2,362

Home Sales/Prices Show Declines

According to the **Memphis Area Association of Realtors** sale volume and pricing continues to lag last year even with the boost created by the 1st Time Buyer tax incentives. New home volume is off by nearly half of the 2008 numbers. Pricing for all homes has shown resilience with average price declines of less than 10%.

All Home Sale Statistics			
Shelby, Fayette & Tipton Counties			
Source: MAAR			
	YTD Oct 09	YTD Oct 08	% Chng
No. of Sales	12,721	15,096	-15.7%
Avg. Price	\$127,663	\$137,017	-6.8%
\$ Volume	\$1,624,001,023	\$2,068,408,632	-21.5%

New Home Sale Statistics			
Shelby, Fayette & Tipton Counties			
Source: MAAR			
	YTD Oct 09	YTD Oct 08	% Chng
No. of Sales	624	1,120	-44.3%
Avg. Price	\$217,900	\$229,900	-5.2%
\$ Volume	\$135,969,600	\$257,488,000	-47.2%