



COMMERCIAL REAL ESTATE E-Newsletter

Feb 2011

4th QTR. 2010 DATA

3 pages

In This Issue

- 4th Qtr. 2010 Data
 - a. Retail
 - b. Office
 - c. Industrial
 - d. Multi-Family
- Cap Rate Trends
- Commercial Sale Trends
- Key Rates/Employment
- Residential Market Data
- Home Sales/Pricing Trends

Real Estate Data Sources

Apartment Association of Greater Memphis

Bankrate.com

Bloomberg.com

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

TN Dept. of Labor

Xceligent, Inc.

C&I Appraisal – Database

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Commercial Markets Survive 2010

The following is drawn from the most recent **Xceligent, Inc.**, **CoStar Group, Inc.** and **CBRE MarketView** reports for the Memphis MSA. Some margin of error exists due to variances in data reported by the respective sources.

RETAIL – Generally flat vs. YE 2009

- **500k+ sf of positive net absorption in 2010**
- **7 of 11 markets show positive net absorption in 2010**
- **Just over 100k sf in deliveries in 2010**
- **About 100k sf space under construction in the MSA**
- **MSA overall vacancy is around 14% at YE 2010**
- **Collierville, East & Germantown submarkets are the MSA leaders**
- **Avg lease rate in Strip Centers is \$12.55 psf in MSA**



OFFICE – Most Indicators Show Little Movement

- **Class A & B net absorption is virtually at ZERO sf for 2010**
- **Class A at -125k sf and Class B at +65k sf for 2010**
- **East at -100k sf net absorption for 2010 & 385 submarkets at 0 sf**
- **One delivery over 50k sf in 2010**
- **Memphis MSA occupancy – Class A: 89% Class B: 84%**
- **Class A occupancy for East is 86% & 385 Corridor is 91%**
- **Class B occupancy for East is 86% & 385 Corridor is 89%**
- **Class A quoted rates at \$26.50 psf in East & \$19.50 in 385 Corridor**
- **Class B quoted rates at \$18.30 psf in East & \$19.00 in 385 Corridor**
- **Availability rates expected to trend with unemployment rate**



INDUSTRIAL – Key Numbers Remain Flat

- **Reports vary with positive net absorption from 800k to 2.0m sf in 2010**
- **Just over 400k sf in deliveries for 2010**
- **Memphis MSA occupancy in ALL Whs categories is 87%**
- **Memphis MSA occupancy in Flex category is 83%**
- **Southeast Bulk Whs Occupancy – 87%**
- **DeSoto County Bulk Whs Occupancy – 90%**
- **Avg quoted rent/sf in Class A - Bulk Whs for Southeast - \$2.56**
- **Avg quoted rent/sf in Class A - Bulk Whs for DeSoto - \$3.00**
- **Memphis MSA average quoted rent/sf in Class A - Bulk Whs – \$2.70**



Multi-Family – Apartments remain active

- **Memphis MSA occupancy at 91% excluding distressed properties**
- **Memphis MSA average rent/sf - \$0.75**
- **Memphis MSA Rent Increase of 2.0% from YE 2009**
- **Buyers active in all classes; Financing is available**
- **Highest rent/mo. – Gtown/Cville & Downtown \$950+ to \$1,000+**
- **Lowest Occupancy – West Winchester at 80% by our estimates**
- **80's construction & newer continue to see high occupancy**
- **2,200 +/- units foreclosed in 2010; Most in the Class C category**
- **Less than 600 units delivered in 2010**





FEBRUARY 2011

Page 2

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Cap Rates Mixed

According to the **Real Estate Research Corporation** (RERC) "Real Estate Report", cap rates are mixed compared to the 3rd qtr. Credit availability seems to be improving which may lead to more buyers in the market. *These rates are shown for illustration purposes and are not indicative of the cap rates ordinarily 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.

RERC - 1st Tier Properties - National Averages			
Property	Average Cap Rates		
	Current Qtr	Previous Qtr	% Change
Power/Anchored Center	7.60%	7.90%	-0.30%
Neighborhood Strip Center	7.10%	7.80%	-0.70%
Suburban Office	7.60%	8.10%	-0.50%
Medical Office 1	8.50%	8.60%	-0.10%
Flex Industrial	8.80%	8.50%	0.30%
Warehouse	7.30%	8.00%	-0.70%
Apartment	6.00%	6.60%	-0.60%
Mini-Storage 1	7.75%	n/a	
Hotel	9.30%	9.00%	0.30%
Net Leased 1	8.70%	8.90%	-0.20%



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

Lending rates and availability of financing will continue to influence cap rates and sale volume in the coming quarters. **Sale prices may not benefit substantially with lower cap rates as the NOI for many properties is being pressured by rent reductions, concessions and vacancy.**

Sale Volume Flat - Pricing Rises

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.

The data shows sales to be flat vs. 2009 but a higher average price when compared to the prior year.

Commercial Sale Activity - Shelby County		
2010 vs. 2009		
Transactions		
2010	2009	% Chng
655	604	8.4%
Average Sale Price/Sale		
2010	2009	% Chng
\$848,803	\$635,744	33.5%





FEBRUARY 2011

Page 3

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Unemployment/Lending Rates Better

The unemployment rate for the MSA shows a substantial improvement from 2009. Local employment is trending with national numbers. The MSA unemployment levels lag the national average but have improved at a greater pace. **Bankrate.com** has mortgage loan rates below the same time last year but with minor increases over mid year 2010 levels.

CATEGORY	CURRENT	1 MONTH PRIOR	6 MONTH PRIOR	1 YEAR PRIOR
Unemployment Memphis MSA	10.0	9.7	10.4	11.2
Unemployment National	9.4	9.8	9.5	9.9
Prime Rate	3.25	3.25	3.25	3.25
15-Year Mortgage	4.09	4.06	4.04	4.46
30-Year Mortgage	4.75	4.71	4.56	5.05
1-Year ARM	3.25	3.31	3.73	4.33



*-Unemployment numbers subject to seasonal adjustment

Home Sales/Prices Stable

According to the **Chandler Reports, LLC** existing home sales are down nearly 9% from 2009 but the avg. price is generally unchanged. New home volume fell by just over 8% along with the avg. price on new homes. The average price of all home sales is unchanged from 2009.

Year End 2010 Home Sale Statistics SHELBY COUNTY Source: Chandler Reports, LLC			
	2010	2009	% Chng
<i>Existing Home Sales</i>			
No. of Sales	12,359	13,510	-8.5%
Avg. Price	\$116,335	\$114,108	2.0%
\$ Volume	\$1,437,784,265	\$1,541,599,080	-6.7%
<i>New Home Sales</i>			
No. of Sales	992	1,083	-8.4%
Avg. Price	\$223,419	\$243,392	-8.2%
\$ Volume	\$221,631,648	\$263,593,536	-15.9%
<i>All Home Sales</i>			
No. of Sales	13,351	14,593	-8.5%
Avg. Price	\$124,292	\$123,703	0.5%
\$ Volume	\$1,659,415,913	\$1,805,192,616	-8.1%



Homes priced under \$100k comprised 55% of the sale volume in 2010 and that is nearly identical to the 2009 figures. Conversely, homes priced over \$500k make up just 2% of the sale volume. There were 36 home sales over \$1 million in 2010 vs. 29 in 2009. The top three zip codes in total sale volume are as follows:

Top Three Zip Codes for Home Sales			
Zip Code	Neighborhood	Sales	Avg Price
38016	Cordova North	836	\$137,180
38017	Collierville	788	\$299,635
38128	Raleigh	766	\$46,149