

Commercial Markets: Year-End 2013

In This Issue

- Quarterly Statistics
 - Retail
 - Office
 - Industrial
 - Apartment
- Cap Rates
- Commercial Sales
- Home Sale/Price Trends
- Lot Supply/Starts Data

Data Sources

- ❖ Apartment Association of Greater Memphis
- ❖ Bankrate.com
- ❖ Bloomberg.com
- ❖ Bureau of Labor Statistics
- ❖ CB Richard Ellis
- ❖ Chandler Reports, LLC
- ❖ CoStar Group, Inc.
- ❖ Insight Economics
- ❖ Memphis Area Association of Realtors
- ❖ PWC/Korpacz
- ❖ MarketGraphics
- ❖ Real Estate Research Corp.
- ❖ RealtyRates.com
- ❖ TN Dept. of Labor
- ❖ Xceligent, Inc.
- ❖ Valbridge Property Advisors

Some figures are interpolated and estimated due to variances between the reports.

Follow Us On Twitter:

@Valbridge_Mem

Prepared by:

Matt Uselton
(901) 206-2263

muselton@valbridge.com

www.valbridge.com

RETAIL – SNAPSHOT

- MSA finished with over 340K positive net absorption for 2013
- Occupancy rates improve and rental rates increase in many markets in the MSA

Shopping Center Data - CoStar & Xceligent

Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	87%	91%	87%	94%	85%	91%	95%
Asking Rent	\$10.82	\$16.94	\$12.80	\$14.34	\$18.41	\$14.51	\$13.10

OFFICE – SNAPSHOT

- Memphis Office market closed YE 2013 with over 40k of positive absorption
- Wright Medical leased over 122K sf in the East submarket in 4Q13

Class A & B Office Data - CoStar & CBRE

Category	Sector/Mkt	Data	Sector/Mkt	Data
Memphis MSA Occupancy	Class A	89%	Class B	86%
YTD Net Absorption (sf)	Class A	(126,866)	Class B	212,213
Class A Occupancy	East	91%	385 Corridor	92%
Class B Occupancy	East	85%	385 Corridor	92%
Class A Quoted Rate	East	\$23	385 Corridor	\$20
Class B Quoted Rate	East	\$18	385 Corridor	\$18

INDUSTRIAL – SNAPSHOT

- GENCO Supply Chain Solutions signed a 533K sf lease at Crossroads Distribution Center
- Memphis Industrial market saw slight increase in vacancy rate from prior year

Warehouse & Flex Data - CoStar & Xceligent

Category	Sector/Mkt	Data	Sector/Mkt	Data
Memphis MSA Occupancy	Warehouse	88%	Flex	80%
Memphis MSA Rents	Warehouse	\$2.68	Flex	\$7.09
Warehouse Occupancy	Southeast	86%	Desoto	92%
Flex Occupancy	Southeast	79%	Desoto	86%
Warehouse Quoted Rate	Southeast	\$2.69	Desoto	\$2.83
Flex Quoted Rate	Southeast	\$4.82	Desoto	\$5.17

APARTMENT – SNAPSHOT

- Occupancy in all submarkets unchanged from prior quarter
- New construction average rental rates see slight gain from 2Q13

Apartment Data - CBRE MarketView

Market	MSA	New Const	90's Const	80's Const	Old Const
Occupancy	92.0%	96.0%	94.0%	93.0%	90.0%
Avg Rent/Mo.	\$762	\$1,192	\$892	\$690	\$604
Avg Rent/SF	\$0.795	\$1.111	\$0.894	\$0.752	\$0.658
Rent Chng from YE '12	0.7%	11.9%	2.2%	0.4%	0.9%



February 2014
Page 2

Valbridge Property Advisors is based in Naples, FL and is one of the largest commercial property valuation and advisory services firms in the U.S.

Valbridge has 163 MAIs, 450 appraisers, 60 office locations and 600 total staff across the nation. Each Valbridge office is led by an appraiser who holds the MAI designation of the Appraisal Institute.

Valbridge Property Advisors | C&I Appraisal Services, Inc. provides appraisals, consulting, market studies & feasibility analyses within the Memphis MSA.

The firm has 140 years of combined appraisal experience in multi-family, land, land development, commercial, retail, medical, mini-stg, religious buildings, single & multi-tenant buildings, office, hotel/motel, special use, & industrial property.

This and prior issues are available at the "Recent News" link at www.ciappraisal.com

Follow Us On Twitter:
[@Valbridge_Mem](https://twitter.com/Valbridge_Mem)

Prepared by:
Matt Uselton
(901) 206-2263
muselton@valbridge.com

www.valbridge.com

Cap Rates – Southern US

According to the **Real Estate Research Corporation (RERC)** "*Real Estate Report*", cap rates have remained flat in most categories when compared to the prior quarter. The rates shown below are averages for First Tier properties in the South Region. These are newer Class A properties with 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	7.70%	7.60%	1.3%
Neighborhood Strip Center	7.90%	7.80%	1.3%
Suburban Office	7.80%	7.80%	0.0%
Flex Industrial	8.20%	8.20%	0.0%
Warehouse	7.70%	7.80%	-1.3%
Apartment	6.50%	6.50%	0.0%
Hotel	8.30%	8.40%	-1.2%
Average for All Properties	7.73%	7.73%	0.0%

Commercial Sale Volume & Pricing

This data applies to "non-bank" transactions and was published by **Chandler Reports, LLC**. There were 51 Bank sales reported for YE 2013 vs. 55 in the prior year. The average Bank sale price in 2013 was \$563,567 vs. \$1,583,291 in 2012.

Commercial Sales - Shelby County		
Transactions		
YE 2013	YE 2012	% Chng
778	696	11.8%
Average Sale Price/Sale		
YE 2013	YE 2012	% Chng
\$1,194,425	\$1,439,083	-17.0%

Commercial Sales - Shelby County			
YTD through	YE 2013	YE 2012	% Chng
Retail	211	185	14.1%
Office	97	83	16.9%
Industrial	123	108	13.9%
Multi-Family	70	69	1.4%
Land	199	191	4.2%



February 2014
Page 3

Senior Managing Director:
Todd Glidewell, MAI
(901) 206-2277
tglidewell@valbridge.com

Senior Appraisers:
Hugh Greer
Craig Johnson
Riley Rector
Dana Richardson
Andrew Trott

Senior Analyst:
Matt Uselton

Administrative Manager:
Faye Thompson

To add a colleague to the distribution list, send the name, address, phone number and email address to Matt Uselton at muselton@valbridge.com

This and prior issues are available at the "Recent News" link at www.ciappraisal.com

Follow Us On Twitter:
@Valbridge_Mem

Prepared by:
Matt Uselton
(901) 206-2263
muselton@valbridge.com

www.valbridge.com

Lot Supply and Home Starts

Lot Supply is down over 2,300 lots from year-end 2012 while new home inventory shows slight decline from year-end 2012 numbers as well. Starts show a 6% increase from year-end 2012 numbers according to **MarketGraphics Research Group, Inc.**

Lot Supply & Housing Permits - MSA				
MarketGraphics Research Group, Inc.				
12 Months through	Dec-13	Dec-12	Chng	% Chng
Developed Lots	12,436	14,151	(1,715)	-13.79%
New Home Permits	2,431	2,183	248	10.20%
Yrs. Supply	5.12	6.48	(1.37)	-26.72%

NEW HOME INVENTORY - MSA				
Period Ended Nov-13	2010	2011	2012	2013
Inventory	1,600	1,354	1,194	1,055

Trailing 12 Mos. Starts	
County	Nov-13
Crittenden	79
Desoto	776
Fayette	180
Shelby	791
Tipton	62
Totals	1,888

Single Family Home Sales & Prices

According to the **Memphis Area Association of Realtors**, combined sale volume and prices in Shelby, Fayette & Tipton Counties are on the rise. Existing home sales are up along with an increase in average sale price. New home sales and pricing have shown gains as well.

Home Sale Statistics - MAAR.org			
Shelby, Fayette & Tipton Counties			
YTD through	YE 2013	YE 2012	% Chng
No. of Sales	15,304	14,354	6.6%
Avg. Price	\$137,022	\$122,407	11.9%
\$ Volume	\$2,096,984,688	\$1,757,030,078	19.3%
New Home Sale Statistics			
Shelby, Fayette & Tipton Counties			
YTD through	YE 2013	YE 2012	% Chng
No. of Sales	855	796	7.4%
Avg. Price	\$257,471	\$260,073	-1.0%
\$ Volume	\$220,137,705	\$207,018,108	6.3%