



# MEMPHIS MSA Real Estate Newsletter

February 2012

Year End 2011 DATA

3 pages

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## 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

## Contact Us

www.ciappraisal.com

Todd Glidewell, MAI

(901) 753-6977 ext. 15

todd@ciappraisal.com

## Commercial Markets - No defined trends in 2011

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

### RETAIL - Negative Absorption / Nominal Change in Rents & Occupancy

- Net Absorption - Negative 90k sf in 2011 for Shopping Centers
- Approximately 45 boxes from 25k to 100k are vacant in the MSA

### Shopping Center Data - CoStar & Xceligent

Market	MSA	Cville	Cordova	East	Gtown	Olv Brnch	Sthvn
Occupancy	87%	92%	87%	93%	88%	88%	90%
Asking Rent	\$11.00	\$16.00	\$13.00	\$14.00	\$18.00	\$13.50	\$13.00

### OFFICE - Occupancy gains slightly / rental rates are unchanged

- Class A & B combine for 260k sf positive net absorption in 2011
- East at 120k sf net absorption & 385 submarket is at (15k) sf in 2011

### Class A & B Office Data - CoStar & CBRE

Category	Sector/Mkt	Data	Sector/Mkt	Data
Memphis MSA Occupancy	Class A	87%	Class B	82%
YTD Net Absorption (sf)	Class A	180,000	Class B	80,000
Class A Occupancy	East	89%	385 Corridor	90%
Class B Occupancy	East	85%	385 Corridor	90%
Class A Quoted Rate	East	\$24.50	385 Corridor	\$20
Class B Quoted Rate	East	\$18	385 Corridor	\$17

### INDUSTRIAL - Steady Numbers Point to Stability

- Over 1.5MM sf net absorption - Shelby & Desoto Counties in 2011
- Just over 1.4MM sf of deliveries for the MSA in 2011

### Industrial Data - CoStar & Xceligent

Category	Sector/Mkt	Data	Sector/Mkt	Data
Memphis MSA Occupancy	Warehouse	87%	Flex	82%
Memphis MSA Rents	Warehouse	\$2.46	Flex	\$6.50
Warehouse Occupancy	Southeast	87%	Desoto	90%
Flex Occupancy	Southeast	80%	Desoto	83%
Warehouse Quoted Rate	Southeast	\$2.45	Desoto	\$2.95
Flex Quoted Rate	Southeast	\$4.50	Desoto	\$5.25

### MULTI-FAMILY - Apartment Market Shines

- Occupancy and Rent are steady with slight growth in rents from YE 2010
- 580 units delivered in 2011 vs. 250 units in 2010

### Apartment Data - CBRE MarketView

Market	MSA	New Const	90's Const	80's Const	Old Const
Occupancy	92%	94%	93%	93%	88%
Avg Rent/Mo.	\$735	\$945	\$865	\$715	\$580
Avg Rent/SF	\$0.76	\$0.92	\$0.85	\$0.77	\$0.62
Rent Chng from YE '10	0.5%	1.9%	1.7%	0.5%	-0.8%



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C&I Appraisal Services, Inc. celebrates 20 years of service to the Memphis MSA in 2011.

C&I provides appraisals, consulting, market studies, & feasibility analyses. Our geographic service area is the Memphis MSA.

The firm has expertise in multi-family, land, land development, commercial & retail, medical, mini-storage, religious buildings, single & multi-tenant buildings, office, hotel/motel, special use, & industrial property in the greater Memphis, TN area.

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[www.ciappraisal.com](http://www.ciappraisal.com)  
 Todd Glidewell, MAI  
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[todd@ciappraisal.com](mailto:todd@ciappraisal.com)

## Cap Rates - Minimal Changes from 3<sup>rd</sup> Qtr

According to the Real Estate Research Corporation (RERC) "Real Estate Report" and the PWC "Real Estate Investor Survey" (Korpacz), cap rates are mixed compared to the prior qtr. The rates shown are NATIONAL AVERAGES 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.

These rates are shown to illustrate overall market sentiment and trends. The rates are not applicable to the majority of properties in the Memphis MSA.

<b>RERC &amp; PWC - 1st Tier Properties - National Averages</b>			
<b>Property</b>	<b>Average Cap Rates</b>		
	<b>Current Qtr</b>	<b>Previous Qtr</b>	<b>% Change</b>
<b>Power/Anchored Center</b>	7.10%	7.30%	-0.20%
<b>Neighborhood Strip Center</b>	7.10%	7.30%	-0.20%
<b>Suburban Office</b>	7.60%	7.50%	0.10%
<b>Medical Office</b>	7.90%	8.10%	-0.20%
<b>Flex Industrial</b>	8.00%	7.80%	0.20%
<b>Warehouse</b>	7.00%	7.10%	-0.10%
<b>Apartment</b>	5.80%	6.10%	-0.30%
<b>Mini-Storage</b>	7.30%	7.50%	-0.20%
<b>Hotel - Ltd Svc</b>	8.20%	8.40%	-0.20%
<b>Net Leased</b>	7.60%	8.10%	-0.50%
<b>Average for All Properties</b>	7.36%	7.52%	-0.16%

- Stable lending rates will hold rates at or near these levels.
- Buyers are underwriting purchase price on the "in-place" NOI and give no value to potential income on vacant space.

## Sale Volume & Pricing Show Gains

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.

There were 50 Bank sales reported for 2011 vs. 48 in 2010. The average Bank sale price was just over \$1MM vs. \$425,000 in 2010.

<b>Commercial Sale Activity - Shelby County</b>		
<b>Transactions</b>		
<b>2011</b>	<b>2010</b>	<b>% Chng</b>
672	608	10.5%
<b>Average Sale Price/Sale</b>		
<b>2011</b>	<b>2010</b>	<b>% Chng</b>
\$1,111,110	\$880,998	26.1%

<b>Commercial Sale Activity - Shelby County</b>			
<b>Type</b>	<b>2011</b>	<b>2010</b>	<b>% Chng</b>
<b>Retail</b>	233	218	6.9%
<b>Office</b>	89	75	18.7%
<b>Industrial</b>	92	87	5.7%
<b>Multi-Family</b>	87	77	13.0%
<b>Land</b>	170	152	11.8%



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To add a colleague to the distribution list, send the name, address, phone number and email address to Todd Glidewell, MAI at [todd@ciappraisal.com](mailto:todd@ciappraisal.com).

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## Home Sales Trend Down but Prices are Flat

According to the Memphis Area Association of Realtors, sale volume is down for new and existing homes in Shelby, Fayette and Tipton counties. Pricing is stable for both categories in 2011. All home sales are down about 8% in volume, whereas new homes saw a substantial decrease of 28% in volume. Pricing remains steady.

Home Sale Statistics - MAAR.org			
Shelby, Fayette & Tipton Counties			
	2011	2010	% Chng
No. of Sales	12,790	13,961	-8.4%
Avg. Price	\$125,448	\$129,215	-2.9%
\$ Volume	\$1,604,479,920	\$1,803,970,615	-11.1%
New Home Sale Statistics			
Shelby, Fayette & Tipton Counties			
	2011	2010	% Chng
No. of Sales	597	826	-27.7%
Avg. Price	\$228,315	\$228,520	-0.1%
\$ Volume	\$136,304,055	\$188,757,520	-27.8%

Bank sale volume has declined significantly from 2010. The 15% decline in volume coupled with a slight increase in pricing is a positive sign.

Bank Sale Statistics - MAAR.org			
Shelby, Fayette & Tipton Counties			
	2011	2010	% Chng
No. of Sales	3,995	4,730	-15.5%
Avg. Price	\$70,029	\$68,369	2.4%
\$ Volume	\$279,765,855	\$323,385,370	-13.5%

## Unemployment/Lending Rates Better

The unemployment rate for the MSA shows a substantial improvement from 2010. Local employment is trending with national numbers however manipulated they may be. The MSA unemployment levels lag the national average slightly which is consistent with historical actions. Bankrate.com reports mortgage loan rates at all-time lows which has fuelled refinancing but has yet to stimulate home sales.

CATEGORY	Dec-11	1 MONTH PRIOR	6 MONTH PRIOR	1 YEAR PRIOR
Unemployment Memphis MSA	8.8	9.2	10.4	10.0
Unemployment National	8.5	8.7	9.1	9.4
Prime Rate	3.25	3.25	3.25	3.25
15-Year Mortgage	3.16	3.23	3.51	4.23
30-Year Mortgage	3.88	3.89	4.25	4.93
1-Year ARM	2.72	2.72	2.99	3.02

*\*-Unemployment numbers subject to seasonal adjustment*