



MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



Over 4.3M SF of Absorption in Last Two Quarters

EXECUTIVE SUMMARY/MARKET OVERVIEW

The Memphis Metro Market had nearly 1.7 million square feet of positive absorption in Q1 2013, following over 2.6 million square feet of positive absorption in Q4 2012. As a result, vacancy dropped from 13.3% at the end of 2012 to 12.2% as of the end of Q1 2013. Weighted average asking rental rates were \$2.60 at the end of Q1, up from year-end 2012 rates of \$2.55. At the end of Q1 2013, the Memphis Metro Market included nearly 221 million square feet of industrial space, with just under 213 million in warehouse space and nearly 8 million in flex space.

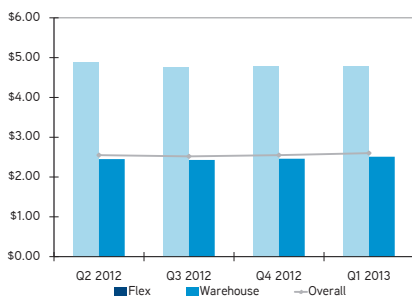
The DeSoto County Submarket had the lion's share of the positive absorption, with 1.4 million square feet. Southwest Memphis had positive absorption of 326,485 square feet. These two submarkets are also where we are seeing new construction. In DeSoto County, IDI's spec building for nearly 870,000 square feet was completed and a 1.3 million square foot build-to-suit for Helen of Troy is currently under construction. Build-to-suits under construction in the Southwest Submarket include one for Mitsubishi, at 350,000 square feet and one for FedEx, at 95,000 square feet. Marshall and Fayette Counties also have 1.7 million square feet either already under construction or poised to be under construction.

MARKET INDICATORS

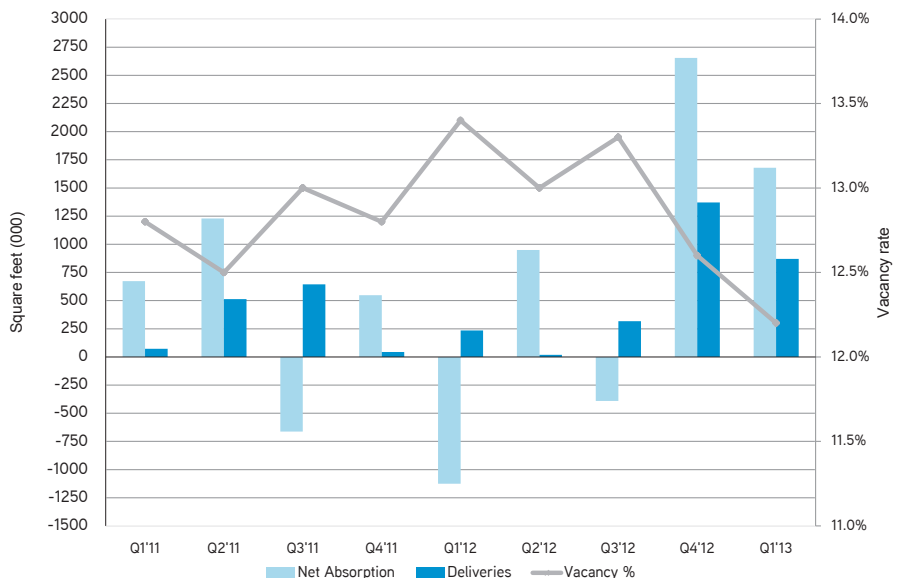
	Q1	Projected Next QTR
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

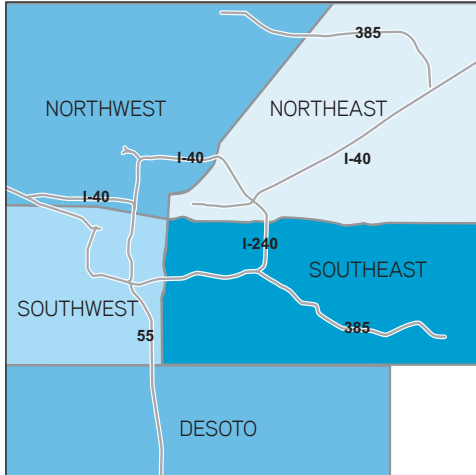
Arrows compare current quarter to the previous quarters' historically adjusted figures.

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



MEMPHIS INDUSTRIAL MARKET





ABSOLUTELY, POSITIVELY MEMPHIS.

It's not just having more than 4.3 million square feet in positive absorption in the last two quarters that makes us bullish on the Memphis industrial real estate market. Or that vacancy rates are the lowest they've been in over two years. And it's not just the fact that development is on the rise here. It's really about the fundamentals that underlie these events.

KC Conway, Chief Economist for Colliers International USA recently authored a white paper that begins like this:

"Port and inland distribution markets that invest CapEx in their transportation infrastructure will capture economic opportunities from changing global trade patterns and evolving e-commerce. Those that don't invest the needed CapEx risk capsizing their economies."

Memphis has been investing in infrastructure for years, earning its reputation nearly two decades ago as America's Distribution Center and rapidly making its mark today as America's Aerropolis.

KC goes on in his white paper to say that in North America, only a handful of air cargo centers will survive as overall volume declines and e-commerce becomes the primary driver. KC points out the fact that Memphis is #1 – once more – in air cargo and states the following:

"With its BNSF intermodal facility, Colliers recognizes Memphis as the top North American Market for eCommerce."

Memphis is no longer industrial real estate's best kept secret.

Check out our recent column in the daily news about eCommerce and the Memphis market: <http://tinyurl.com/absolutelymemphis>.

UPDATE Recent Transactions

LEASING ACTIVITY – SELECT TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/SQ. FT.	TYPE
6100 E. Holmes Road, Chickasaw Distribution Center	Southeast	TJ Maxx	IDI	414,504	Bulk, Class A
1560 Stateline Road, Stateline Business Park	DeSoto County	Trane	IDI	373,644	Bulk, Class A
295 Marathon Way, Goodman Road Business Park	DeSoto County	Patterson Warehouses	USAA	237,952	Bulk, Class A
4500 Malone Road, Shelby Air Park	Southeast	Victory Packaging	TA Associates	158,333	Bulk, Class B
601 Expressway Drive, DeSoto Distribution Center	DeSoto County	Patterson Warehouses	Space Center, Inc.	154,000	Bulk, Class B
3695 Knight Road, Corporate Park	Southeast	American Paper & Twine Co,	St. Paul Fire & Marine	144,837	Distribution, Class B
259 Belz Blvd., Belz Industrial Park	Southeast	Americraft Carton	Belz Realty Co.	132,000	Distribution, Class C
5553 Raines Road, Raines Distribution Center	Southeast	EXEL	ProLogis	100,000	Distribution, Class B

SALES ACTIVITY – SELECT TRANSACTIONS

PROPERTY	SALES DATE	SALE PRICE	SIZE/SF	BUYER	TYPE
3955 E. Holmes Road, Memphis Tradecenter	1/28/2013	\$27,100,000	1,039,000	Exeter Property Group	Bulk, Class A
9105 Hacks Cross Road, Hacks Cross Logistics Center	3/11/2013	\$24,650,000	605,427	Gramercy Capital Corp.	Bulk, Class A
Outland Business Center, 5 Building Portfolio	2/21/2013	\$11,800,000	407,339	Huntington Industrial Partners	Distribution, Class B
828 E. Holmes	2/22/2013	\$2,702,960	257,740	New Mill Capital	Bulk, Class C
3884 Crowfarn Drive	2/21/2013	\$1,205,000	149,680	Huntington Industrial Partners	Distribution, Class B

MEMPHIS Q1 2013 MARKET STATISTICS

Type	# Bldgs	Total RBA	Direct Vacant SF	Direct Vacant %	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current Quarter	Vacancy Rate Prior Quarter	Net Absorption Current QTR SF	Net Absorption YTD SF	Completions Current Quarter SF	Completions YTD SF	Under Const. SF	Weighted Average Asking Rental Rate: NNN
CRITTENDEN COUNTY															
Flex	1	15,000	15,000	100.0%	0	0.0%	15,000	100.0%	100.0%	0	0	-	-	-	\$0.00
Warehouse	42	3,241,872	21,511	0.7%	0	0.0%	21,511	0.7%	1.3%	21,000	21,000	-	-	-	\$0.00
Total	43	3,256,872	36,511	1.1%	0	0.0%	36,511	1.1%	1.8%	21,000	21,000	-	-	-	\$0.00
DESOTO COUNTY															
Flex	15	384,308	79,969	20.8%	0	0.0%	79,969	20.8%	21.4%	2,200	2,200	-	-	-	\$4.67
Warehouse	221	39,771,220	3,617,920	9.1%	0	0.0%	3,617,920	9.1%	10.8%	1,442,934	1,442,934	869,892	869,892	1,300,000	\$2.95
Total	236	40,155,528	3,697,889	9.2%	0	0.0%	3,697,889	9.2%	10.9%	1,445,134	1,445,134	869,892	869,892	1,300,000	\$2.98
MARSHALL COUNTY															
Flex	1	14,400	14,400	100.0%	0	0.0%	14,400	100.0%	100.0%	0	0	-	-	-	\$0.00
Warehouse	28	4,104,006	91,125	2.2%	0	0.0%	91,125	2.2%	2.2%	0	0	-	-	-	\$2.25
Total	29	4,118,406	105,525	2.6%	0	0.0%	105,525	2.6%	2.6%	0	0	-	-	-	\$2.25
NORTHEAST MEMPHIS															
Flex	102	2,686,846	515,718	19.2%	8,421	0.3%	524,139	19.5%	20.2%	18,771	18,771	-	-	-	\$6.67
Warehouse	198	9,192,694	803,088	8.7%	0	0.0%	803,088	8.7%	8.0%	-69,535	-69,535	-	-	-	\$4.51
Total	300	11,879,540	1,318,806	11.1%	8,421	0.1%	1,327,227	11.2%	10.7%	-50,764	-50,764	-	-	-	\$4.92
NORTHWEST MEMPHIS															
Flex	14	341,421	54,022	15.8%	0	0.0%	54,022	15.8%	24.6%	30,000	30,000	-	-	-	\$1.19
Warehouse	232	20,107,241	1,856,860	9.2%	0	0.0%	1,856,860	9.2%	9.5%	55,013	55,013	-	-	-	\$2.11
Total	246	20,448,662	1,910,882	9.3%	0	0.0%	1,910,882	9.3%	9.8%	85,013	85,013	-	-	-	\$2.08
SOUTHEAST MEMPHIS															
Flex	87	2,934,071	851,050	29.0%	0	0.0%	851,050	29.0%	28.3%	-923	-923	-	-	-	\$4.48
Warehouse	684	92,701,893	12,393,030	13.4%	71,720	0.1%	12,464,750	13.4%	13.2%	-182,466	-182,466	-	-	-	\$2.45
Total	771	95,635,964	13,244,080	13.8%	71,720	0.1%	13,315,800	13.9%	13.7%	-183,389	-183,389	-	-	-	\$2.52
SOUTHWEST MEMPHIS															
Flex	57	1,573,925	581,947	37.0%	0	0.0%	581,947	37.0%	39.3%	36,328	36,328	-	-	-	\$3.86
Warehouse	630	43,608,217	5,906,126	13.5%	0	0.0%	5,906,126	13.5%	14.3%	326,485	326,485	-	-	445,000	\$2.07
Total	687	45,182,142	6,488,073	14.4%	0	0.0%	6,488,073	14.4%	15.2%	362,813	362,813	-	-	445,000	\$2.17
TOTAL MARKET															
Flex	277	7,949,971	2,112,106	26.6%	8,421	0.1%	2,120,527	26.7%	27.8%	86,376	86,376	-	-	-	\$4.78
Warehouse	2,035	212,727,143	24,689,660	11.6%	71,720	0.0%	24,761,380	11.6%	12.0%	1,593,431	1,593,431	-	-	-	\$2.51
MARKET TOTAL	2,312	220,677,114	26,801,766	12.1%	80,141	0.1%	26,881,907	12.2%	12.6%	1,679,807	1,679,807	869,892	869,892	1,745,000	\$2.60

Type	# Bldgs	Total RBA	Direct Vacant SF	Direct Vacant %	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current Quarter	Vacancy Rate Prior Quarter	Net Absorption Current QTR SF	Net Absorption YTD SF	Completions Current Quarter SF	Completions YTD SF	Under Const. SF	Weighted Average Asking Rental Rate: NNN
QUARTERLY COMPARISON AND TOTALS															
2013 1Q	2,312	220,677,114	26,801,766	12.1%	80,141	0.0%	26,881,907	12.2%	12.6%	1,679,807	1,679,807	869,892	869,892	1,745,000	\$2.60
2012 4Q	2,311	219,807,222	27,606,881	12.6%	84,941	0.0%	27,691,822	12.6%	13.3%	2,653,628	2,085,956	1,372,305	1,942,952	1,219,892	\$2.55
2012 3Q	2,308	218,434,917	28,888,204	13.2%	84,941	0.0%	28,973,145	13.3%	13.0%	-391,014	-567,672	317,843	570,647	2,592,197	\$2.52
2012 2Q	2,307	218,167,074	28,216,997	12.9%	97,291	0.0%	28,314,288	13.0%	13.4%	949,097	-176,658	18,144	252,804	2,910,040	\$2.55
2012 1Q	2,307	218,167,074	29,166,094	13.4%	97,291	0.0%	29,263,385	13.4%	12.8%	-1,125,755	-1,125,755	234,660	234,660	1,269,892	\$2.54
2011 4Q	2,305	217,914,270	27,694,275	12.7%	190,551	0.1%	27,884,826	12.8%	13.0%	548,431	1,788,431	44,000	1,274,734	284,669	\$2.49
2011 3Q	2,303	217,870,263	28,217,049	13.0%	172,201	0.1%	28,389,250	13.0%	12.5%	-663,104	1,240,000	645,000	1,230,734	267,444	\$2.53
2011 2Q	2,302	217,225,263	26,944,165	12.4%	136,981	0.1%	27,081,146	12.5%	12.8%	1,230,298	1,903,104	513,734	585,734	689,000	\$2.62
2011 1Q	2,301	216,711,529	26,406,511	12.2%	1,391,199	0.6%	27,797,710	12.8%	13.0%	672,806	672,806	72,000	72,000	514,000	\$2.58

Primary data source for charts and graphs: CoStar Group, Inc.

Available Space: The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

Cap Rate: Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

Flex Building: A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and

have some type of drive-in door, even though the door may be glassed in or sealed off.

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

Submarkets: Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

522 offices in 62 countries on 6 continents

Revenues: \$1.8 Billion
 Professionals & Staff: 12,300
 Brokers: 4,800
 Square Feet Managed: 1.25 Billion*
 Lease/Sale Transactions: 76,000
 Total Transaction Value: \$68 Billion

Based on 2011 results.

* The combination of Colliers International and FirstService results in 2.5 billion square feet under management (2nd largest in the world).

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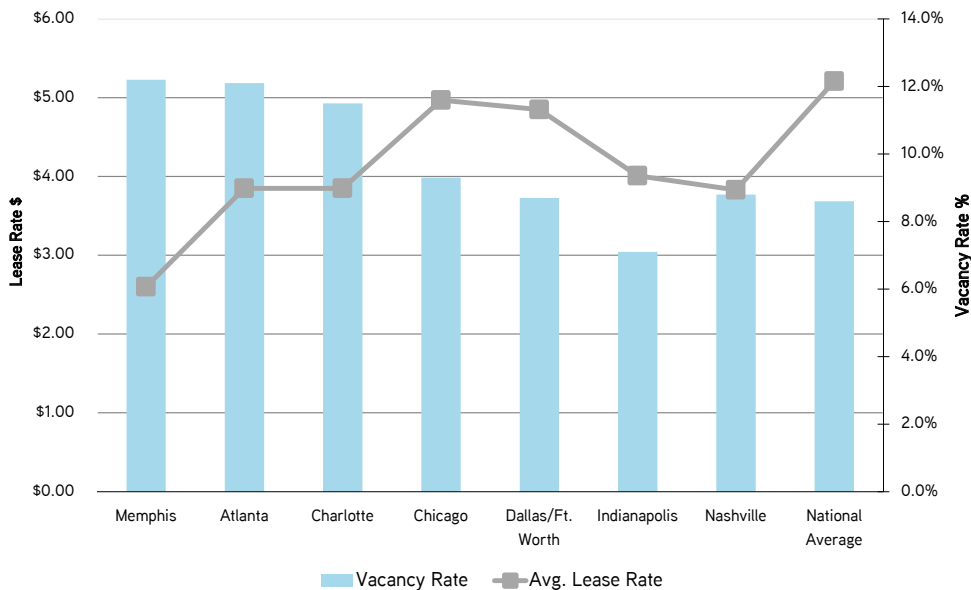
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This report and other research materials may be found on our website at www.colliers/memphis. This market report is a research document of the Memphis office of Colliers International. Questions related to information herein should be directed to the research department at 901-375-4800. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof.

INDUSTRIAL MARKET COMPARISON



Accelerating success.