



MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



Six Straight Quarters of Positive Net Absorption

EXECUTIVE SUMMARY/MARKET OVERVIEW

At the end of Q1 2014, the Memphis Metro included just over 222 million square feet of industrial space, with 214.3 million square feet in warehouse space and nearly 8 million in flex space. Overall asking rental rate increased from \$2.54 as of the end of Q4 2013 to \$2.61.

While net absorption the last two quarters has been relatively low at 111,750 square feet and 271,911 square feet for Q4 2013 and Q1 2014, respectively, we've had six straight quarters of positive net absorption totaling just over 7 million square feet, much of this occurring in DeSoto County, where vacancy rates have fallen to 6.7%. The Southeast Submarket, on the other hand, has seen vacancy rates steadily rising since Q4 2012, when they were at 14.1%, to 15.4% as of the end of Q1 2014.

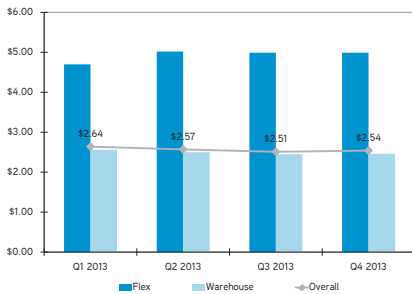
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MARKET INDICATORS

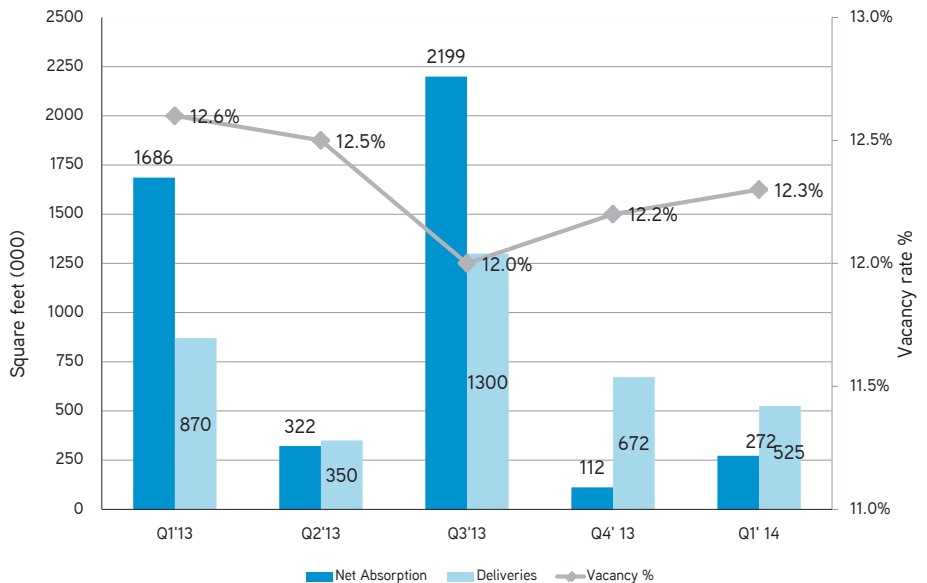
	Q1	Projected Next QTR
VACANCY	↑	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↑
RENTAL RATE	↑	↑

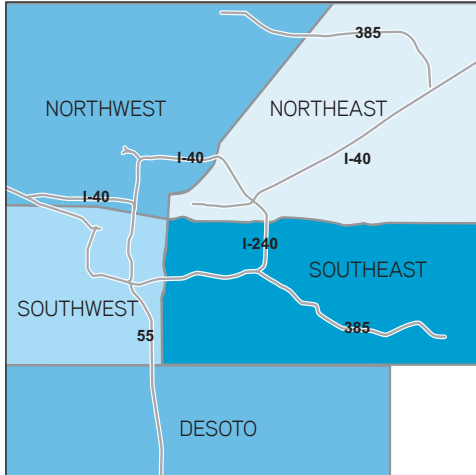
Arrows compare current quarter to the previous quarters' historically adjusted figures.

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



MEMPHIS INDUSTRIAL MARKET





SIX STRAIGHT QUARTERS OF POSITIVE NET ABSORPTION CONTINUED

Construction and Deliveries

Construction and deliveries of both build-to-suit and speculative buildings have been on the rise over the last 12 – 18 months. Hillwood delivered a 514,980 square foot build-to-suit for Jimco at DeSoto Trade Center in Q1 2014. Just over 1.8 million square feet of space is currently under construction, including an 861,252 square foot spec building by IDI at Crossroads Distribution Center in Olive Branch in the DeSoto County Submarket; a 95,000 square foot build-to-suit for FedEx in the Southwest Submarket; and a 1.3 million square foot expansion for Nike in the Northwest Submarket.

Shelby County hasn't seen any speculative development since 2008. Instead, neighboring counties like Marshall and DeSoto seem to be the preferred spec sites for developers currently eyeing the market. Chickasaw Trails Industrial Park in Marshall County and areas around the Olive Branch Airport in DeSoto county are key areas of interest.

UPDATE Recent Transactions

LEASING ACTIVITY – SELECT 2014 TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/SQ. FT.	TYPE
4880 Tuggle Road, Tuggle Distribution Center	Southeast	Ozburn Hessey Logistics	Invesco Realty Advisors	200,000	Bulk, Class A
4270 Chrysler Drive	Southeast	Associated Wholesale Grocers/ Value Merchandisers	EJ Market Street, LLC	180,000	Distribution, Class B
8650 Commerce Drive, Stateline Business Park	DeSoto County	Victory Lakes Logistics	IDI	147,888	Bulk, Class A
12914 Stateline Road, Crossroads Distribution Center	DeSoto County	American Music & Sound	IDI	120,997	Bulk, Class A

SALES ACTIVITY - SELECT 2014 TRANSACTIONS

PROPERTY	SALES DATE	SALE PRICE	SIZE/SF	BUYER	TYPE
Mendenhall Business Center, 5 Building Portfolio	2/12/2014	\$16,950,000	665,053	Taurus Investment Holdings, LLC	Distribution/Flex, Class B
8760 Cypress Woods, Metro Industrial Park	2/28/2014	\$1,950,000	110,000	United Exchange Corp	Distribution, Class B
3399 East Raines, Centerpoint Distribution Center	3/7/2014	\$18,000,000.00	600,000	Exeter Property Group	Bulk, Class A
6005 Freeport Rd., CIC Memphis	3/7/2014	\$14,800,000.00	550,000	Exeter Property Group	Bulk, Class A
5200 Tradeport, HP Memphis	3/7/2014	\$20,000,000.00	625,000	Exeter Property Group	Bulk, Class A
4550 Swinnea Road, Memphis International	3/7/2014	\$10,100,000.00	337,655	Exeter Property Group	Bulk, Class A

MEMPHIS Q1 2014 MARKET STATISTICS

	Total RBA		Direct Vacancy		Sublease Vacancy		Total Vacancy			Net Absorption		Deliveries		CONSTRUCTION	Rates
	# Bldgs	SF	SF	%	SF	%	Total SF	% Current QTR	% Prior QTR	Current QTR	YTD	Current QTR	YTD	Current	Gross
CRITTENDEN COUNTY															
Flex	2	26,200	26,200	100.0%	0	0.0%	26,200	100.0%	100.0%	0	0				\$0.00
Warehouse	45	3,516,341	178,661	5.1%	0	0.0%	178,661	5.1%	5.1%	0	0				\$3.80
Total	47	3,542,541	204,861	5.8%	0	0.0%	204,861	5.8%	5.8%	0	0				\$3.80
DESOTO COUNTY															
Flex	16	456,228	63,699	14.0%	0	0.0%	63,699	14.0%	14.9%	4,500	4,500				\$3.25
Warehouse	219	41,886,311	2,765,554	6.6%	0	0.0%	2,765,554	6.6%	7.0%	634,890	634,890	514,980	514,980	861,252	\$3.05
Total	235	42,342,539	2,829,253	6.7%	0	0.0%	2,829,253	6.7%	7.1%	639,390	639,390	514,980	514,980	861,252	\$3.05
MARSHALL COUNTY															
Flex	1	14,400	3,600	25.0%	0	0.0%	3,600	25.0%	25.0%	0	0				\$0.00
Warehouse	29	4,129,006	99,125	2.4%	0	0.0%	99,125	2.4%	2.4%	0	0				\$2.25
Total	30	4,143,406	102,725	2.5%	0	0.0%	102,725	2.5%	2.5%	0	0				\$2.25
NORTHEAST MEMPHIS															
Flex	101	2,635,414	393,496	14.9%	5,921	0.2%	399,417	15.2%	15.4%	6,995	6,995				\$6.56
Warehouse	210	9,317,217	688,977	7.4%	0	0.0%	688,977	7.4%	7.1%	-27,793	-27,793				\$4.77
Total	311	11,952,631	1,082,473	9.1%	5,921	0.0%	1,088,394	9.1%	8.9%	-20,798	-20,798				\$5.10
NORTHWEST MEMPHIS															
Flex	13	349,079	43,422	12.4%	0	0.0%	43,422	12.4%	12.4%	0	0				\$3.89
Warehouse	227	19,382,217	1,775,633	9.2%	0	0.0%	1,775,633	9.2%	9.4%	55,550	55,550			1,300,000	\$2.25
Total	240	19,731,296	1,819,055	9.2%	0	0.0%	1,819,055	9.2%	9.5%	55,550	55,550				\$2.31
SOUTHEAST MEMPHIS															
Flex	87	2,926,990	737,573	25.2%	0	0.0%	737,573	25.2%	25.3%	4,320	4,320				\$4.58
Warehouse	687	92,876,550	13,924,707	15.0%	60,720	0.1%	13,985,427	15.1%	14.7%	-318,521	-318,521				\$2.57
Total	774	95,803,540	14,662,280	15.3%	60,720	0.1%	14,723,000	15.4%	15.0%	-314,201	-314,201				\$2.62
SOUTHWEST MEMPHIS															
Flex	51	1,458,327	493,028	33.8%	0	0.0%	493,028	33.8%	33.8%	389	389				\$3.04
Warehouse	615	43,202,908	6,051,404	14.0%	10,980	0.0%	6,062,384	14.0%	13.8%	-88,419	-88,419			95,000	\$1.73
Total	666	44,661,235	6,544,432	14.7%	10,980	0.0%	6,555,412	14.7%	14.5%	-88,030	-88,030			95,000	\$1.75
TOTAL MARKET															
Flex	271	7,866,638	1,760,988	22.4%	5,921	0.1%	1,766,909	22.5%	22.7%	16,204	16,204				\$4.93
Warehouse	2,032	214,310,550	25,484,061	11.9%	71,700	0.0%	25,555,761	11.9%	11.8%	255,707	255,707	514,980	514,980	2,256,252	\$2.54
MARKET TOTAL	2,303	222,177,188	27,245,049	12.3%	77,621	0.0%	27,322,670	12.3%	12.2%	271,911	271,911	514,980	514,980	2,256,252	\$2.61

	Total RBA		Direct Vacancy		Sublease Vacancy		Total Vacancy			Net Absorption		Deliveries		CONSTRUCTION	Rates
	# Bldgs	SF	SF	%	SF	%	Total SF	% Current QTR	% Prior QTR	Current QTR	YTD	Current QTR	YTD	Current	Gross
2014 1Q	2,303	222,177,188	27,245,049	12.3%	77,621	0.0%	27,322,670	12.3%	12.2%	271,911	271,911	514,980	514,980	2,256,252	\$2.61
2013 4Q	2,302	221,682,208	27,006,596	12.2%	72,641	0.0%	27,079,237	12.2%	12.0%	111,750	4,318,434	672,206	3,192,080	3,121,232	\$2.54
2013 3Q	2,300	220,990,002	26,446,140	12.0%	72,641	0.0%	26,518,781	12.0%	12.5%	2,198,601	4,206,684	1,300,000	2,519,892	2,917,206	\$2.51
2013 2Q	2,299	219,690,002	27,337,401	12.4%	79,981	0.0%	27,417,382	12.5%	12.6%	322,085	2,008,083	350,000	1,219,892	3,717,206	\$2.57
2013 1Q	2,299	219,690,002	27,659,326	12.6%	80,141	0.0%	27,739,467	12.6%	12.9%	1,685,998	1,685,998	869,892	869,892	1,745,000	\$2.64
2012 4Q	2,297	218,471,110	28,210,632	12.9%	84,941	0.0%	28,295,573	12.9%	13.5%	2,484,965	1,252,080	1,372,305	1,942,952	1,569,892	\$2.58
2012 3Q	2,294	217,097,805	29,233,292	13.5%	84,941	0.0%	29,318,233	13.5%	13.2%	-428,879	-1,232,885	317,843	570,647	2,942,197	\$2.55
2012 2Q	2,293	216,829,962	28,524,220	13.2%	97,291	0.0%	28,621,511	13.2%	13.4%	438,962	-804,006	18,144	252,804	3,260,040	\$2.58
2012 1Q	2,293	216,829,961	28,963,182	13.4%	97,291	0.0%	29,060,473	13.4%	12.6%	-1,242,968	-1,242,968	234,660	234,660	1,269,892	\$2.57

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.

485 offices in 63 countries on 6 continents

Professionals & Staff: 15,800
 Brokers: 5,800
 Square Feet Managed: 1.46 Billion*
 Lease/Sale Transactions: 80,000
 Total Transaction Value: \$75 Billion

Based on 2012 results.

* Square footage includes office, industrial, and retail property under management. Residential property is excluded from this total.

COLLIERS INTERNATIONAL | MEMPHIS

6000 Poplar Avenue, Suite 201
 Memphis, TN 38119
 TEL +1 901 375 4800
 FAX +1 901 375 9600

MANAGING PARTNER

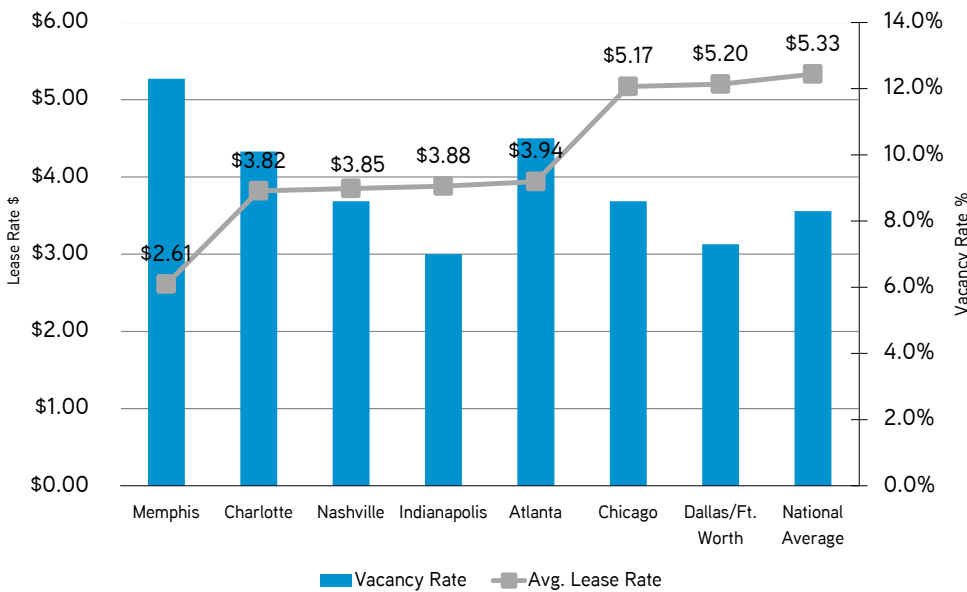
Gene Woods
 Managing Partner | President
 TEL +1 901 375 4800

RESEARCHER

Lindsey P. Browndyke
 Research Analyst
 TEL +1 901 375 4800

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INDUSTRIAL MARKET COMPARISON



Accelerating success.