



MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



A Flat Q2

EXECUTIVE SUMMARY/MARKET OVERVIEW

At the end of Q2 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 just slightly from \$2.61 as of the end of Q1 2014 to \$2.62 as of the end of Q2. Likewise, vacancy rates changed very little, inching up from 12% at the end of Q1 to 12.1% at the end of Q2.

After 6 straight quarters of positive net absorption, the market experienced negative net absorption of 230,763 square feet in Q2 2014. Vacancy rates inched up just slightly from 12% to 12.1% from the end of Q1 to the end of Q2. DeSoto County, which has been the major driver of the market's positive net absorption for the last 6 months, had negative net absorption of just under 95,000 square feet in Q2 but the major contributor this quarter to the downward trend was the Southwest Submarket, which had net absorption of -354,303 square feet.

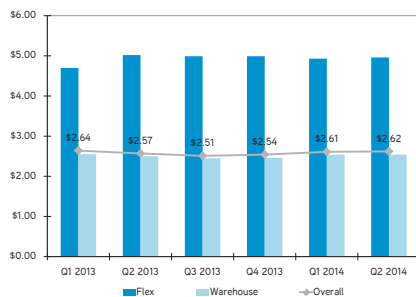
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MARKET INDICATORS

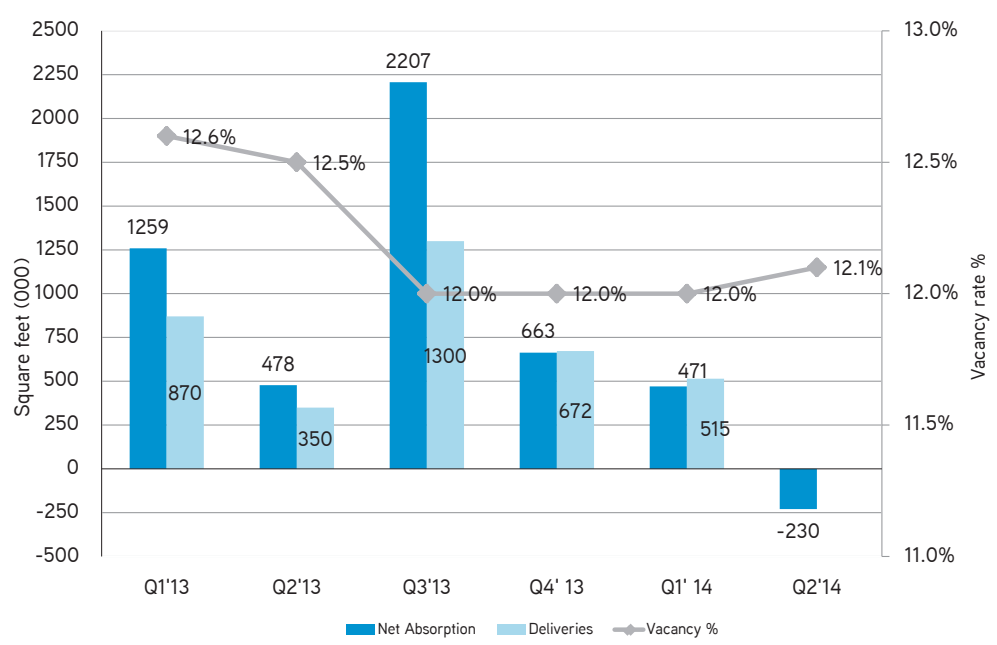
	Q2	Projected Next QTR
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

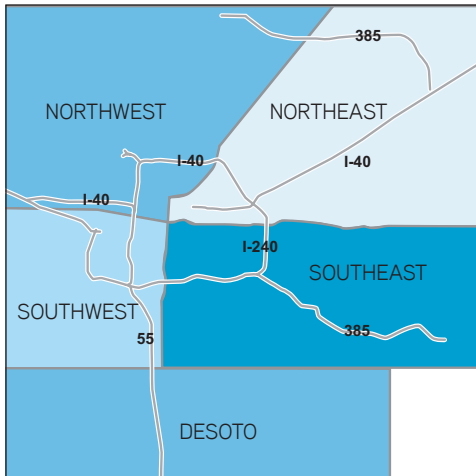
Arrows compare current quarter to the previous quarters' historically adjusted figures.

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



MEMPHIS INDUSTRIAL MARKET





A FLAT Q2 CONTINUED

Construction and Deliveries

Despite a relatively flat Q2, considerable activity is taking place in terms of new construction and expansion for a number of name brand companies. While no new deliveries occurred in Q2, just over 3.5 million square feet is currently under construction. This includes 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; a 1.3 million square foot expansion for Nike in the Northwest Submarket; and a 1.08 million square foot build-to-suit for Volvo in Marshall County.

In addition to new construction, both Asics and Conair are expanding their existing spaces located in Marshall County and DeSoto County, respectively.

UPDATE Recent Transactions

LEASING ACTIVITY – SELECT 2014 TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/SQ. FT.	TYPE
5166 Pleasant Hill, Southpoint XIX	Southeast	CEVA Logistics	DCT Industrial	648,758	Bulk, Class A
5510 Getwell Road, ProLogis Park Stateline	Southeast	Kyocera Document Solutions	Exeter Property Group	300,000	Bulk, Class A

SALES ACTIVITY - SELECT 2014 TRANSACTIONS

PROPERTY	SALES DATE	SALE PRICE	SIZE/SF	BUYER	TYPE
MIAC, 9 Building Portfolio	4/17/2014	\$24,200,000	1,141,086	Greenfield Partners LLC	Bulk/Distribution, Class B
Corporate Park - 5 building portfolio	6/24/2014	\$9,000,000	551,264	Huntington Industrial	Distribution, Class B
4189-4219 Air Trans, Airport Industrial Park	5/27/2014	\$4,020,000	336,000	Olymbec Corporate Group	Bulk, Class B
141 Eastley Street	5/20/2014	\$1,300,000	125,000	Russell R. Robinson	Distribution, Class B
1824 Castalia Street	4/4/2014	\$980,000	242,568	Glencore Grain USA LLC	Bulk, Class C
3850-3886 Air Park	5/27/2014	\$700,000	100,000	Trans-Pak. Inc.	Distribution, Class B
2452 Frisco Avenue	4/4/2014	\$504,000	191,864	Glencore Grain USA LLC	Distribution, Class B
2089 Frisco Avenue	6/27/2014	\$500,000	187,936	Transport Realty	Distribution, Class C

MEMPHIS Q2 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	46	3,645,581	177,901	4.9%	0	0.0%	177,901	4.9%	5.1%	9,800	9,800				\$3.80
Total	48	3,671,781	204,101	5.6%	0	0.0%	204,101	5.6%	5.8%	9,800	9,800				\$3.80
DESOTO COUNTY															
Flex	16	456,228	62,469	13.7%	0	0.0%	62,469	13.7%	14.0%	1,200	5,700				\$3.25
Warehouse	219	41,967,823	2,735,082	6.5%	96,588	0.2%	2,831,670	6.7%	6.5%	-96,116	568,774	514,980	1,079,652		\$2.96
Total	235	42,424,051	2,797,551	6.6%	96,588	0.0%	2,894,139	6.8%	6.6%	-94,916	574,474	514,980	1,079,652		\$2.96
MARSHALL COUNTY															
Flex	1	14,400	3,600	25.0%	0	0.0%	3,600	25.0%	25.0%	0	0				\$0.00
Warehouse	28	4,119,006	16,125	0.4%	0	0.4%	16,125	0.4%	2.2%	75,000	75,000			1,027,400	\$2.25
Total	29	4,133,406	19,725	0.5%	0	0.0%	19,725	0.5%	2.3%	75,000	75,000			1,027,400	\$2.25
NORTHEAST MEMPHIS															
Flex	101	2,646,996	414,773	15.7%	5,921	0.2%	420,694	15.9%	15.7%	-33,065	-22,870				\$6.56
Warehouse	209	9,300,961	623,342	6.7%	0	0.0%	623,342	6.7%	7.5%	75,635	32,842				\$4.80
Total	310	11,947,957	1,038,115	8.7%	5,921	0.0%	1,044,036	8.7%	9.1%	42,570	9,972				\$5.21
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	19,381,964	1,673,220	8.6%	0	0.0%	1,673,220	8.6%	8.7%	6,175	61,725			1,300,000	\$2.25
Total	240	19,731,043	1,716,642	9.2%	0	0.0%	1,716,642	8.7%	8.7%	6,175	61,725			1,300,000	\$2.32
SOUTHEAST MEMPHIS															
Flex	87	2,922,790	700,458	24.0%	0	0.0%	700,458	24.0%	24.8%	25,785	43,265				\$4.59
Warehouse	686	92,871,701	13,843,833	14.9%	60,720	0.1%	13,904,553	15.0%	15.0%	59,126	-131,778				\$2.55
Total	773	95,794,491	14,544,291	15.2%	60,720	0.1%	14,605,011	15.2%	15.3%	84,911	-88,513				\$2.60
SOUTHWEST MEMPHIS															
Flex	51	1,458,327	493,028	33.8%	0	0.0%	493,028	33.8%	33.8%	0	389				\$2.30
Warehouse	613	42,876,985	5,893,334	13.7%	10,980	0.0%	5,904,314	13.8%	12.9%	-354,303	-402,222			95,000	\$1.78
Total	664	44,335,312	6,386,362	14.4%	10,980	0.0%	6,397,342	14.4%	13.6%	-354,303	-401,833			95,000	\$1.75
TOTAL MARKET															
Flex	271	7,874,020	1,743,950	22.4%	5,921	0.1%	1,749,871	22.5%	22.7%	-6,080	26,484				\$4.93
Warehouse	2,028	214,164,021	24,962,837	11.7%	168,288	0.1%	25,131,125	11.7%	11.6%	-224,683	214,141	514,980	3,502,052		\$2.54
MARKET TOTAL	2,299	222,038,041	26,706,787	12.0%	174,209	0.0%	26,880,996	12.1%	12.0%	-230,763	240,625	514,980	3,502,052		\$2.62

	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 2Q	2,299	222,038,041	26,706,787	12.0%	174,209	0.0%	26,880,996	12.1%	12.0%	-230,763	240,625	0	514,980	3,502,052	\$2.62
2014 1Q	2,299	222,038,041	26,572,612	12.0%	77,621	0.1%	27,322,670	12.0%	12.0%	471,388	471,388	514,980	514,980	2,256,252	\$2.61
2013 4Q	2,298	221,523,061	26,534,000	12.0%	72,641	0.0%	26,606,641	12.0%	12.0%	663,510	4,609,208	672,206	3,192,080	3,121,232	\$2.54
2013 3Q	2,296	220,850,855	26,525,304	12.0%	72,641	0.0%	26,597,945	12.0%	12.5%	2,207,979	3,945,698	1,300,000	2,519,892	2,917,206	\$2.51
2013 2Q	2,295	219,550,855	27,425,943	12.5%	79,981	0.0%	27,505,924	12.5%	12.6%	478,589	1,737,719	350,000	1,219,892	3,717,206	\$2.57
2013 1Q	2,294	219,200,855	27,554,372	12.6%	80,141	0.0%	27,634,513	12.6%	12.8%	1,259,130	1,259,130	869,892	869,892	1,745,000	\$2.64
2012 4Q	2,293	218,330,963	27,938,810	12.8%	84,941	0.0%	28,023,751	12.8%	13.4%	2,484,965	1,253,102	1,372,305	1,942,952	1,569,892	\$2.58
2012 3Q	2,290	216,958,658	29,051,470	13.4%	84,941	0.0%	29,136,411	13.4%	13.1%	-417,457	-1,231,863	317,843	570,647	2,942,197	\$2.55
2012 2Q	2,289	216,690,815	28,353,820	13.1%	97,291	0.0%	28,451,111	13.1%	13.3%	428,262	-814,406	18,144	252,804	3,260,040	\$2.58
2012 1Q	2,289	216,690,815	28,782,082	13.3%	97,291	0.0%	28,879,373	13.3%	12.7%	-1,242,668	-1,242,668	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.

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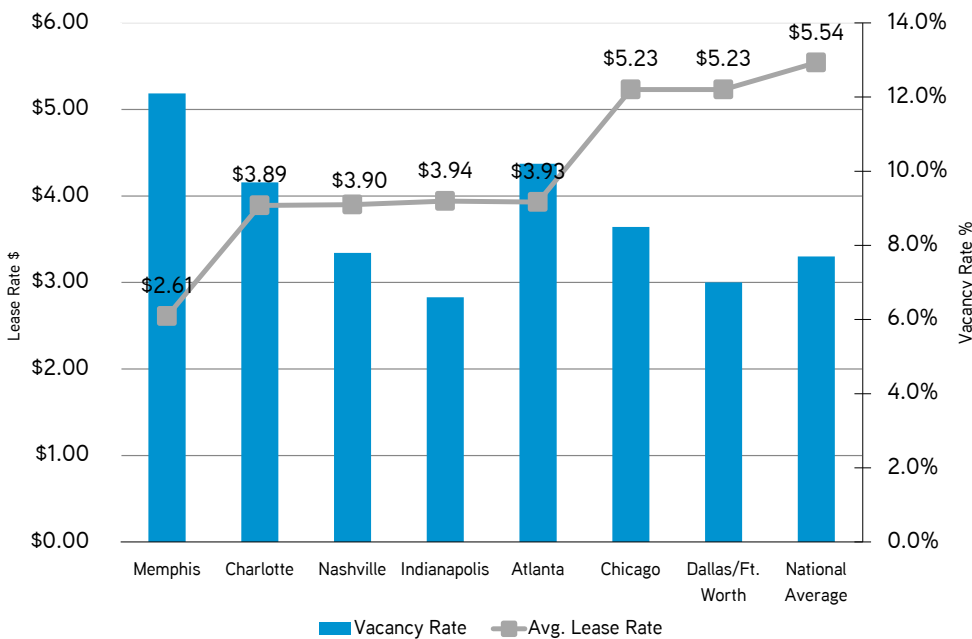
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INDUSTRIAL MARKET COMPARISON



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