



MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



Q3 Net Absorption Exceeds 2.3 Million Square Feet

EXECUTIVE SUMMARY/MARKET OVERVIEW

At the end of Q3 2013, the Memphis Metro included nearly 220 million square feet of industrial space, with almost 212 million square feet in warehouse space and nearly 8 million in flex space.

The Memphis Metro industrial market has had four straight quarters of positive net absorption. This quarter's nearly 2.4 million square feet of net absorption brings the y-t-d net absorption total to 4.1 million square feet and puts the total net absorption for the last four quarters at nearly 6.8 million square feet. DeSoto County has had just over 3.6 million square feet of positive absorption year-to-date, most in Class A space. Class A vacancy rates in DeSoto County were at 6.9% as of the end of Q3. The market's overall vacancy rates dropped from 12.5% as of the end of Q2 2013 to 12%, the first time they've been as low as 12% since 2008.

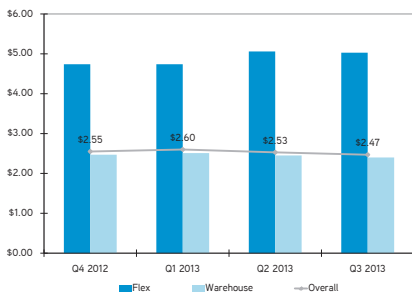
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MARKET INDICATORS

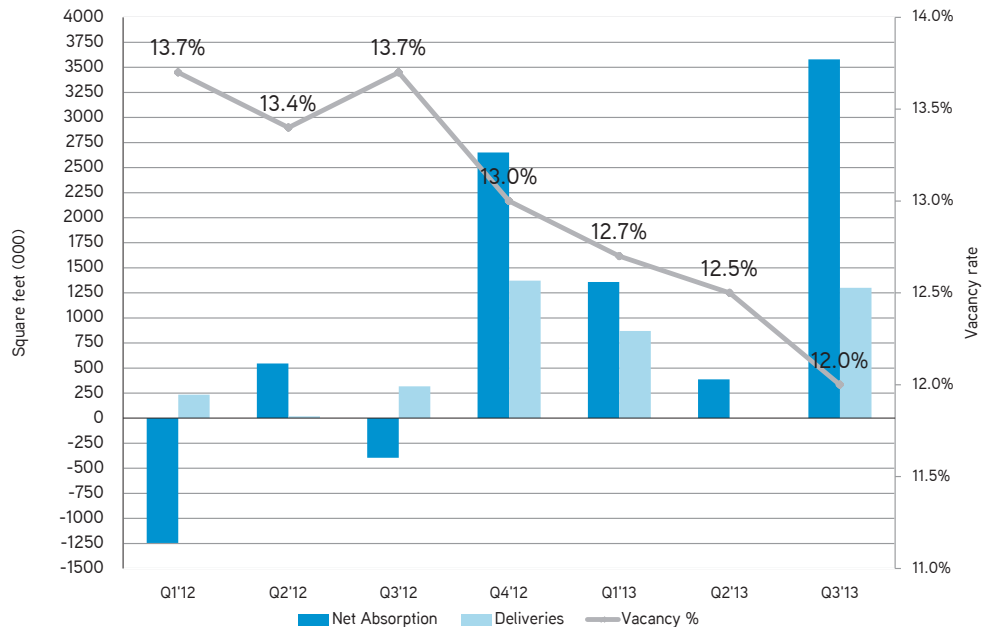
	Q3	Projected Next QTR
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↓	↑
RENTAL RATE	↓	↑

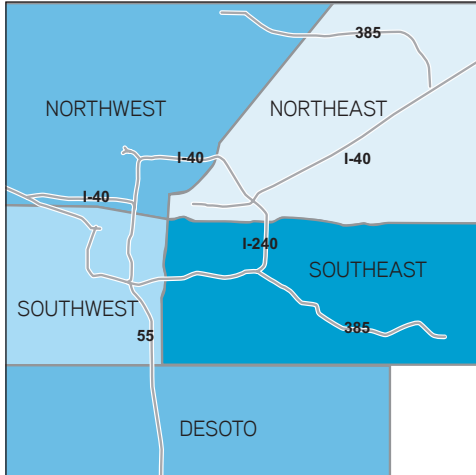
Arrows compare current quarter to the previous quarters' historically adjusted figures.

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



MEMPHIS INDUSTRIAL MARKET





Q3 NET ABSORPTION EXCEEDS 2.3 MILLION SQUARE FEET CONTINUED

Interestingly, overall average rental rates have dropped from \$2.53 at the end of Q2 to \$2.47 at the end of Q3. However, this may be driven in part by the fact that there is very little desirable Class A space available. Overall Class A vacancy rates have dropped to 9.5% and to just 6.9% in DeSoto County, the submarket of choice.

CLASS A SPACE Q3 2013			
Submarket	Available	Vacancy	Rate
Northeast	155,021	4.6%	\$5.67
Northwest	0	0%	N/A
Southeast	4,651,103	12.3%	\$2.80
Southwest	0	0%	N/A
DeSoto Co.	1,729,928	6.9%	\$3.05
Total	6,536,052	9.5%	\$2.93

Construction and Deliveries

A 1.3 million square foot build-to-suit was delivered in DeSoto County in Q3 for Helen of Troy. There is currently 945,000 square feet in build-to-suits under construction, including 445,000 square feet in the Southwest Submarket and 500,000 in DeSoto County. IDI had 672,206 square feet in spec

development underway in DeSoto County as of the Q3 CoStar report but also has another 866,000 spec building underway. Other major developers including Hillwood, Panattoni and Prologis are rumored to be eyeing the market for new speculative development as well.

UPDATE Recent Transactions

LEASING ACTIVITY – SELECT TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/SQ. FT.	TYPE
5510 Getwell, Prologis Park	Southeast	Technicolor	Exeter Property Group	600,000	Bulk, Class A
8734 Crossroad Dr., Crossroads Distribution Center	DeSoto County	GENCO	IDI	533,226	Bulk, Class A
3890 Highway 51, DTC Eastgate 2	DeSoto County	Jimco Lamp & Manufacturing	Hillwood	514,980	Bulk, Class A
4550 Swinnea Road, Memphis International	Southeast	Ingram Micro	C-III Capital Partners	160,000	Bulk, Class A
601 Expressway Drive, DeSoto Distribution Center	DeSoto County	Patterson Warehouses	Space Center, Inc.	154,000	Bulk, Class B
4406-4430 Malone Rd., Malone Distribution Center	Southeast	Sergeants	Cobalt Capital	150,000	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
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
9105 Hacks Cross Road, Hacks Cross Logistics Center	3/11/2013	\$24,650,000	605,427	Gramercy Capital Corp.	Bulk, Class A
5155 Citation Drive, Soutpoint Business Park	5/21/2013	\$11,250,000	400,000	Exeter Property Group	Bulk, Class A
400 Monroe Avenue	7/19/2013	\$1,835,700	162,266	Flower Foods, Inc.	Manufacturing, Class C
2491-2531 Matthews Avenue	8/9/2013	\$750,000	108,353	E.W.P., LLC	Distribution, Class C
3676 E. Raines Road, Centerpoint Distribution Center	8/29/2013	\$4,900,000	163,800	Exeter Property Group	Distribution, Class A
3630 E. Raines Road, Centerpoint Distribution Center	8/29/2013	\$4,400,000	150,000	Exeter Property Group	Distribution, Class B

MEMPHIS Q3 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	2	26,200	26,200	100.0%	0	0.0%	26,200	100.0%	100.0%	0	0				\$0.00
Warehouse	45	3,328,653	33,711	1.0%	0	0.0%	33,711	1.0%	1.0%	500	10,300				\$2.25
Total	47	3,354,853	59,911	1.5%	0	0.0%	59,911	1.5%	1.5%	500	10,300				\$0.00
DESOTO COUNTY															
Flex	16	456,228	75,169	16.5%	0	0.0%	75,169	16.5%	17.5%	4,800	16,200				\$4.55
Warehouse	215	39,490,937	2,765,609	7.0%	0	0.0%	2,765,609	7.0%	8.6%	1,834,901	3,595,245	1,300,000	2,169,892	1,172,206	\$2.98
Total	231	39,947,165	2,840,778	7.1%	0	0.0%	2,840,778	7.1%	8.7%	1,839,701	3,611,445	1,300,000	2,169,892	1,172,206	\$3.02
MARSHALL COUNTY															
Flex	1	14,400	14,400	100.0%	0	0.0%	14,400	100.0%	100.0%	0	0				\$0.00
Warehouse	29	4,129,006	99,125	2.4%	0	0.0%	99,125	2.4%	2.4%	0	-7,500				\$2.25
Total	30	4,143,406	113,525	2.7%	0	0.0%	113,525	2.7%	2.6%	0	-7,500				\$2.25
NORTHEAST MEMPHIS															
Flex	100	2,623,578	455,060	17.3%	5,921	0.2%	460,981	17.6%	18.6%	27,453	65,324				\$7.07
Warehouse	208	9,287,113	646,439	7.0%	0	0.0%	646,439	7.0%	7.5%	46,000	48,899				\$4.54
Total	308	11,910,691	1,101,499	8.7%	5,921	0.1%	1,107,420	9.9%	10.6%	73,453	114,223				\$4.91
NORTHWEST MEMPHIS															
Flex	13	332,937	48,022	14.4%	0	0.0%	48,022	14.4%	14.4%	0	36,000				\$1.19
Warehouse	227	19,568,818	1,761,588	9.0%	0	0.0%	1,761,588	9.0%	9.5%	91,073	189,335				\$2.16
Total	240	19,901,755	1,809,610	9.6%	0	0.0%	1,809,610	9.6%	9.8%	91,073	225,335				\$2.13
SOUTHEAST MEMPHIS															
Flex	88	2,944,910	771,845	26.2%	0	0.0%	771,845	26.2%	25.3%	-28,107	2,650				\$4.65
Warehouse	683	92,485,634	12,947,842	14.0%	66,720	0.1%	13,014,562	14.1%	14.5%	391,199	-386,219				\$2.48
Total	771	95,430,544	13,719,687	14.8%	66,720	0.1%	13,786,407	14.9%	14.5%	363,092	-383,569				\$2.51
SOUTHWEST MEMPHIS															
Flex	57	1,576,051	545,653	34.6%	0	0.0%	545,653	34.6%	35.9%	20,915	67,722				\$3.82
Warehouse	621	43,431,585	6,040,239	13.9%	0	0.0%	6,040,239	13.9%	13.9%	-9,947	496,506			445,000	\$1.65
Total	678	45,007,636	6,585,892	14.6%	0	0.0%	6,585,892	14.6%	15.2%	10,968	564,228			445,000	\$2.17
TOTAL MARKET															
Flex	277	7,974,304	1,936,349	24.3%	5,921	0.1%	1,942,270	24.4%	24.7%	25,061	187,896				\$1.67
Warehouse	2,028	211,721,746	24,294,553	11.4%	66,720	0.0%	24,361,273	11.4%	12.1%	2,353,726	3,946,566	1,300,000	2,169,892	1,617,206	\$2.40
MARKET TOTAL	2,305	219,696,050	26,230,902	11.9%	72,641	0.1%	26,303,543	12.0%	12.6%	2,378,787	4,134,462	1,300,000	2,169,892	1,617,206	\$2.53

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 Q3	2,305	219,696,050	26,230,902	11.9%	72,641	0.0%	26,303,543	12.0%	12.5%	2,378,787	4,134,462	1,300,000	2,169,892	1,617,206	\$2.47
2013 Q2	2,303	218,396,050	27,302,349	12.5%	79,981	0.0%	27,382,330	12.5%	12.7%	397,555	1,755,675	0	869,892	2,417,206	\$2.53
2013 Q1	2,304	218,406,050	27,699,744	12.7%	80,141	0.0%	27,779,885	12.7%	13.0%	1,358,120	1,358,120	869,892	869,892	1,745,000	\$2.60
2012 4Q	2,303	217,536,158	28,183,172	13.0%	84,941	0.0%	28,268,113	13.0%	13.7%	2,651,427	1,555,793	1,372,305	1,942,952	1,219,892	\$2.55
2012 3Q	2,300	216,163,853	29,462,294	13.7%	84,941	0.0%	29,547,235	13.7%	13.4%	-396,127	-1,095,634	317,843	570,647	2,592,197	\$2.52
2012 2Q	2,302	215,962,022	28,851,986	13.4%	97,291	0.0%	28,949,277	13.4%	13.7%	546,061	-699,507	18,144	252,804	2,910,040	\$2.55
2012 1Q	2,302	215,962,022	29,398,047	13.7%	97,291	0.0%	29,495,338	13.7%	13.0%	-1,245,568	-1,245,568	234,660	234,660	1,269,892	\$2.54

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.

482 offices in 62 countries on 6 continents

Professionals & Staff: 13,500
 Brokers: 5,100
 Square Feet Managed: 1.12 Billion*
 Lease/Sale Transactions: 78,000
 Total Transaction Value: \$71 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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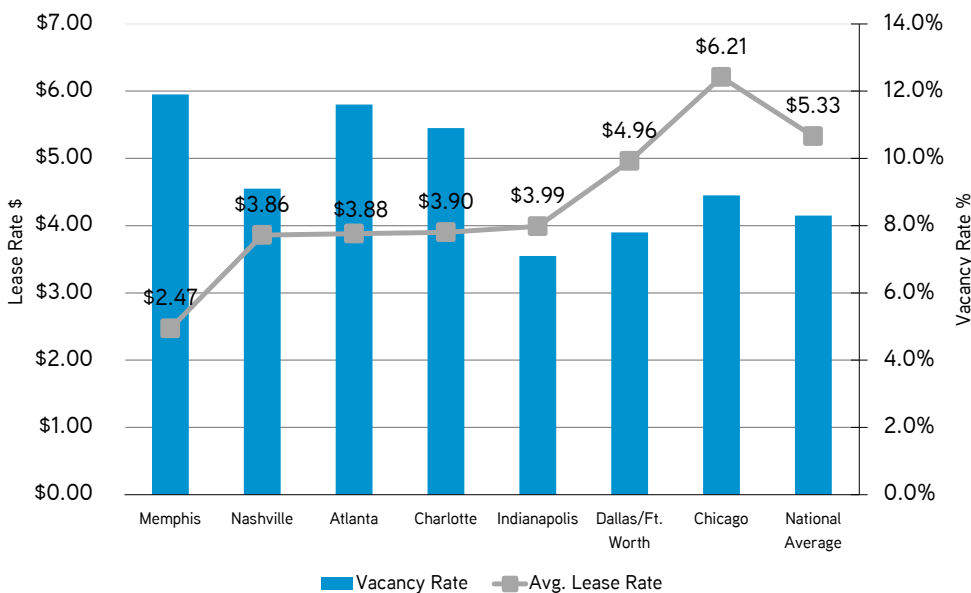
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INDUSTRIAL MARKET COMPARISON



Accelerating success.