



MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



2014: A Plateau

EXECUTIVE SUMMARY/MARKET OVERVIEW

While 2013 was a pretty robust year for industrial real estate in the market, we've hit a plateau of sorts in 2014. At the end of Q3 2014, the Memphis Metro included nearly 223 million square feet of industrial space, with 214.7 million square feet in warehouse space and nearly 8 million in flex space. Overall asking rental rate increased just slightly from \$2.63 as of the end of Q2 2014 to \$2.63 as of the end of Q3 and vacancy remained steady at 12.6%.

Hunter Fans' departure from 100 Nemecc Way in Marshall County contributed 941,000 square feet of sublease space in Q2 and this is keeping y-t-d absorption, which is at -173,367 in negative territory.

Construction and Deliveries

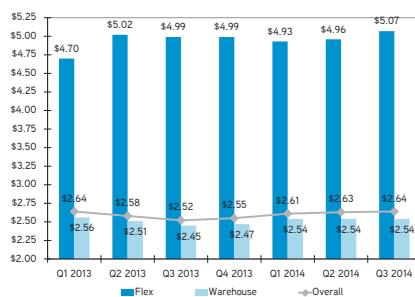
An 861,252 square foot spec building by IDI at Crossroads Distribution Center in Olive Branch in the DeSoto County Submarket was delivered in Q3. Just over 2.6 million square feet is currently under construction, including a 95,000 square foot build-to-suit for FedEx in the Southwest Submarket; a 1.3 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.

MARKET INDICATORS

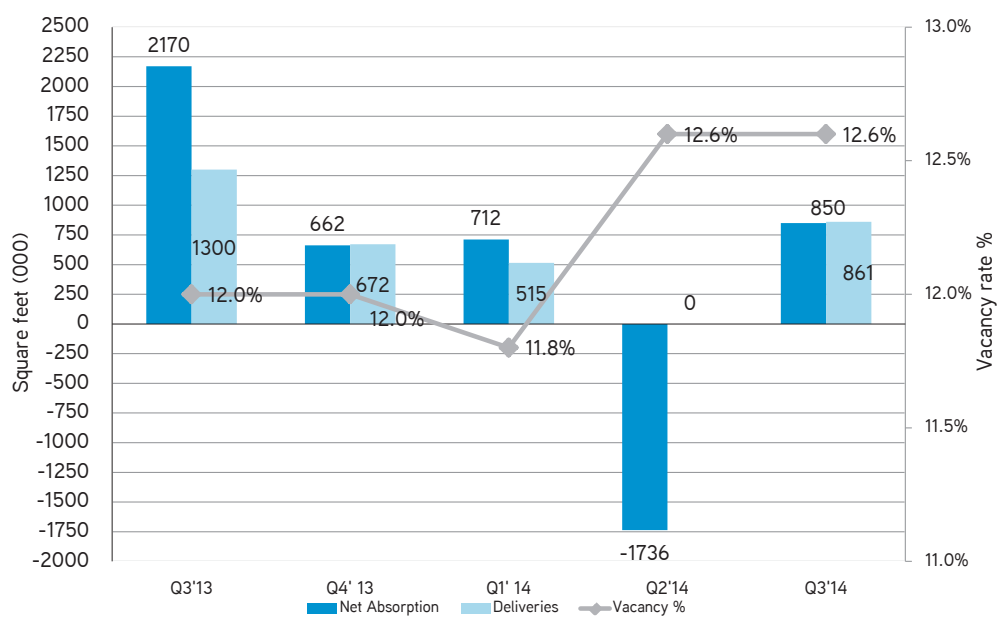
	Q3	Projected Next QTR
VACANCY	↔	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↔	↑
RENTAL RATE	↑	↑

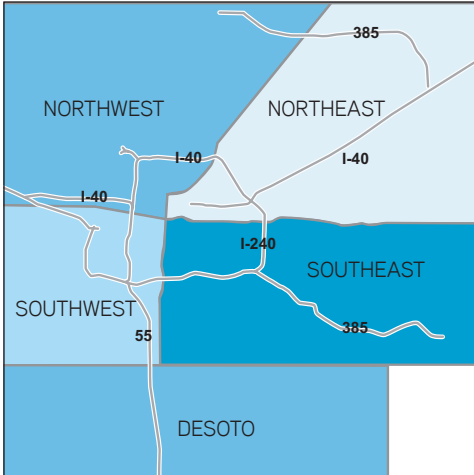
Arrows compare current quarter to the previous quarters' historically adjusted figures.

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



MEMPHIS INDUSTRIAL MARKET





BIGGER DEALS ON THE HORIZON

While there haven't been any huge deals in the market of late, there are a number of major deals in the works. Meanwhile, activity remains strong with one-off building acquisition/disposition transactions as well as with midsize tenant (100,000 – 200,000 SF) warehouse leasing. Several prominent developers are tying up land sites in Mississippi so the lack of bulk leasing hasn't deterred their interest in securing sites. Not surprisingly, eCommerce tenants have and will continue to be one of the top user groups taking down large blocks of space in the market.

UPDATE Recent Transactions

LEASING ACTIVITY – SELECT 2014 TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/SQ. FT.	TYPE
4550 Mendenhall, Midway Distribution Center	Southeast	Dohmen Life Science Services	Lord Baltimore Properties	628,000	Bulk, Class A
4638 E. Shelby Drive, Southpark Distribution Center	Southeast	PFS	Hillwood	442,184	Bulk, Class A
4219 Air Trans, Airport Industrial Park	Southeast	Olam Cotton	Olymbec	336,000	Distribution, Class B
4575 Pleasant Hill, Southpark Distribution Center	Southeast	Reflexion Automotive	New York Life	152,442	Distribution, Class B
4061 Hickory Hill, Memphis Distribution Center	Southeast	Greatwide Distribution Logistics	IIT	100,000	Distribution, Class B

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
3485 Tchulatch Drive, Meltech Industrial Park	8/27/2014	\$6,600,000	227,000	Crown Logistics LLC	Bulk, Class A
4189-4219 Air Trans, Airport Industrial Park	5/27/2014	\$4,020,000	336,000	Olymbec Corporate Group	Bulk, Class B
2887-3001 Lakeview Drive, Interstate Industrial Park	9/29/2014	\$2,527,000	180,250	Goggin Warehousing LLC	Distribution, Class B
10511 High Point Road	10/2/2014	\$1,800,000	127,200	Innpack	Manufacturing, Class C
2900 Lakeview Drive, Interstate Industrial Park	9/24/2014	\$1,550,000	154,818	Goggin Warehousing LLC	Distribution, 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 Q3 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	3,689,211	253,848	6.9%	0	0.0%	253,848	6.9%	8.3%	54,053	-66,147				\$3.80
Total	48	3,715,411	280,048	5.6%	0	0.0%	280,048	5.6%	5.8%	54,053	-66,147				\$3.80
DESOTO COUNTY															
Flex	16	426,228	38,770	9.1%	0	0.0%	38,770	9.1%	14.7%	23,699	29,399				\$3.25
Warehouse	221	42,850,458	3,592,406	8.4%	96,588	0.2%	3,688,994	8.6%	6.5%	-98,492	577,402	1,376,232	218,400		\$2.96
Total	237	43,276,686	3,631,176	8.4%	96,588	0.0%	3,727,764	6.8%	6.6%	-74,793	606,801	1,376,232	218,400		\$2.96
MARSHALL COUNTY															
Flex	1	14,400	1,800	12.5%	0	0.0%	1,800	12.5%	25.0%	1,800	1,800				\$0.00
Warehouse	27	4,101,606	16,125	0.4%	941,000	22.9%	957,125	23.3%	23.3%	0	-866,000			1,027,400	\$2.39
Total	28	4,116,006	17,925	0.5%	0	0.0%	958,925	0.5%	2.3%	1,800	-864,200			1,027,400	\$2.25
NORTHEAST MEMPHIS															
Flex	101	2,646,996	395,865	15.0%	14,021	0.5%	409,886	15.5%	15.9%	10,808	-12,062				\$6.76
Warehouse	210	9,264,423	495,625	5.3%	0	0.0%	495,625	5.3%	6.8%	131,117	137,659				\$5.06
Total	311	11,911,419	891,490	8.7%	14,021	0.0%	905,511	8.7%	9.1%	141,925	125,597				\$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	228	19,380,365	1,671,008	8.6%	0	0.0%	1,671,008	8.6%	8.6%	200	104,812			1,300,000	\$2.25
Total	241	19,729,444	1,714,430	9.2%	0	0.0%	1,714,430	8.7%	8.7%	200	104,812			1,300,000	\$2.32
SOUTHEAST MEMPHIS															
Flex	87	2,950,745	733,412	24.9%	0	0.0%	733,412	24.9%	24.7%	-5,354	31,911				\$4.62
Warehouse	685	92,658,890	12,955,848	14.0%	60,720	0.1%	13,016,568	14.0%	14.6%	537,979	572,827				\$2.54
Total	772	95,609,635	13,689,260	15.2%	60,720	0.1%	13,749,980	15.2%	15.3%	532,625	604,738				\$2.60
SOUTHWEST MEMPHIS															
Flex	51	1,458,307	449,328	30.8%	0	0.0%	449,328	30.8%	33.8%	43,476	43,865				\$3.79
Warehouse	611	42,804,015	6,219,596	14.5%	0	0.0%	6,219,596	14.5%	14.9%	151,043	-728,833			95,000	\$1.81
Total	662	44,262,322	6,668,924	14.4%	0	0.0%	6,668,924	14.4%	13.6%	194,519	-684,968			95,000	\$1.75
TOTAL MARKET															
Flex	271	7,871,955	1,688,797	21.5%	14,021	0.2%	1,702,818	21.5%	22.5%	74,429	94,913				\$5.07
Warehouse	2,028	214,748,968	25,204,456	11.7%	1,098,308	0.5%	26,302,764	12.2%	12.3%	775,900	-268,280	1,376,232	2,640,800		\$2.54
MARKET TOTAL	2,299	222,620,923	26,893,253	12.1%	1,112,329	0.5%	28,005,582	12.6%	12.6%	850,329	-173,367		1,376,232	2,640,800	\$2.64

	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 3Q	2,299	222,620,923	26,893,253	12.1%	1,112,329	0.5%	28,005,582	12.6%	12.6%	850,329	-173,367	0	1,376,232	2,640,800	\$2.64
2014 2Q	2,298	221,759,671	26,879,450	12.1%	174,209	0.5%	27,053,659	12.6%	11.8%	-1,736,129	-1,023,696	861,252	1,376,232	3,502,052	\$2.63
2014 1Q	2,298	221,759,671	26,180,909	11.8%	77,621	0.0%	26,258,530	11.8%	12.0%	712,433	712,433	514,980	514,980	2,256,252	\$2.61
2013 4Q	2,297	221,244,691	26,383,342	11.9%	72,641	0.0%	26,455,983	12.0%	12.0%	662,310	4,558,478	672,206	3,192,080	3,121,232	\$2.55
2013 3Q	2,295	220,572,485	26,373,446	12.0%	72,641	0.0%	26,446,087	12.0%	12.5%	2,169,809	3,896,168	1,300,000	2,519,892	2,917,206	\$2.52
2013 2Q	2,294	219,272,485	27,235,915	12.4%	79,981	0.0%	27,315,896	12.5%	12.5%	472,429	1,726,359	350,000	1,219,892	3,717,206	\$2.58
2013 1Q	2,293	218,922,485	27,358,184	12.5%	80,141	0.0%	27,438,325	12.5%	12.8%	1,253,930	1,253,930	869,892	869,892	1,745,000	\$2.64
2012 4Q	2,292	218,052,593	27,737,422	12.7%	84,941	0.0%	27,822,363	12.8%	13.4%	2,485,565	1,268,039	1,372,305	1,942,952	1,569,892	\$2.58
2012 3Q	2,289	216,680,288	28,850,682	13.3%	84,941	0.0%	28,935,623	13.4%	13.1%	-417,257	-1,217,526	317,843	570,647	2,942,197	\$2.55
2012 2Q	2,288	216,412,445	28,153,232	13.0%	97,291	0.0%	28,250,523	13.1%	13.3%	440,899	-800,269	18,144	252,804	3,260,040	\$2.58
2012 1Q	2,288	216,412,445	28,594,131	13.2%	97,291	0.0%	28,691,422	13.3%	12.6%	-1,241,168	-1,241,168	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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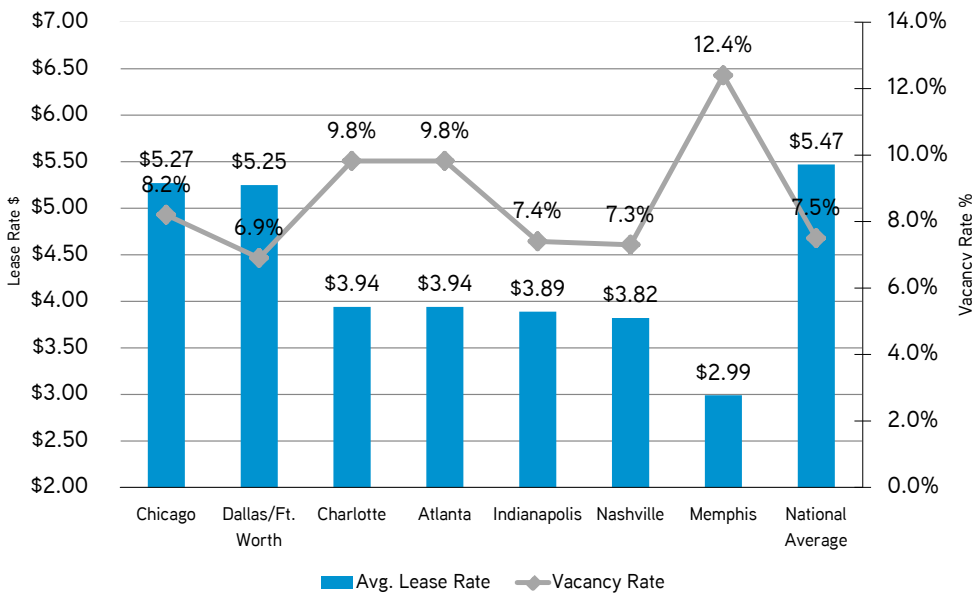
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INDUSTRIAL MARKET COMPARISON



Accelerating success.