



# MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



## Speculative Development on the Rise

### EXECUTIVE SUMMARY/MARKET OVERVIEW

At the end of Q4 2013, the Memphis Metro included just over 221 million square feet of industrial space, with 213.6 million square feet in warehouse space and nearly 8 million in flex space. After dropping for two quarters, the overall asking rental rate increased slightly to \$2.54, not significantly different from the \$2.57 year-end 2012 average rate.

After four straight quarters of positive net absorption, the market experienced negative net absorption of 659,567 square feet in Q4 2014. This was primarily due to negative net absorption of almost 680,000 square feet in the Southeast Submarket, resulting from Kaz, Inc. vacating 700,000 square feet of space in November. Kaz was purchased by Helen of Troy, who recently moved into 1.3 million square feet of space in DeSoto County.

Despite a lull in Q4, the overall market experienced positive net absorption of more than 3.3 million square feet for the year, made possible by positive net absorption of almost 3.8 million square feet in DeSoto County and just over a half million square feet in the Southwest Submarket. The Southeast Submarket, however, ended the year with total negative net absorption of more than 1 million square feet.

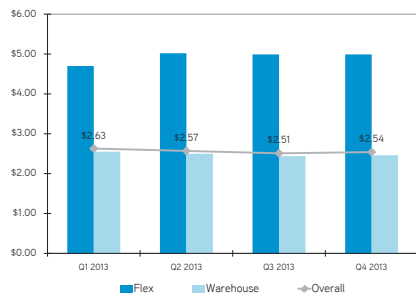
*continued on page 2*

### MARKET INDICATORS

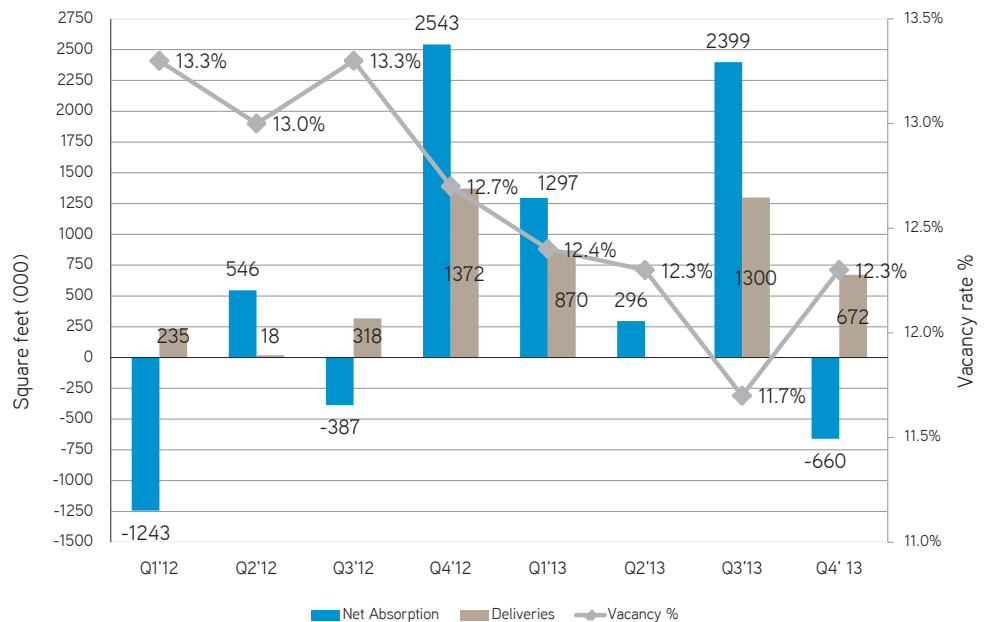
	Q4	Projected Next QTR
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↔
RENTAL RATE	↑	↑

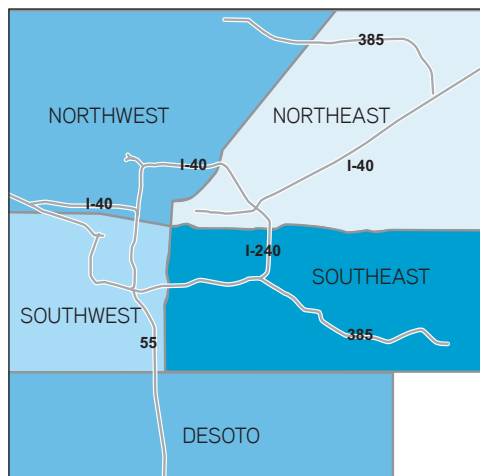
Arrows compare current quarter to the previous quarters' historically adjusted figures.

### AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



### MEMPHIS INDUSTRIAL MARKET





**SPECULATIVE DEVELOPMENT ON THE RISE CONTINUED**

**Construction and Deliveries**

Two words offer the best prediction for Memphis Metro industrial real estate in 2014: speculative development. While we'd like to see some of that occurring within Shelby County and hope that the powers that be can compete more effectively with neighboring counties, we are extremely encouraged by what we see occurring in DeSoto County.

IDI delivered two spec buildings totaling 672,206 square feet in the Crossroads Distribution Center in DeSoto County in Q4, bringing the year's total deliveries to just over 2.8 million square feet. 1.3 million of that was from a build-to-suit for Helen of Troy, while the remaining 1.5 million is in spec development.

As of the end of 2013, just over 1.8 million square feet of space is under construction, with 861,252 square feet of that in another spec building coming from IDI in Crossroads Distribution Center in DeSoto County. Hillwood has a 514,980 square foot build-to-suit under construction in Eastgate 2 for Jimco. Another 445,000 square feet is under construction in the Southwest Submarket in two build-to-suits: 350,000 square feet for Mitsubishi and 95,000 square feet for FedEx.

With more than 4.6 million square feet in completed construction and anticipated deliveries, DeSoto County could soon surpass the Southwest to become the second largest submarket in the Memphis Metro.

**UPDATE Recent Transactions**

**LEASING ACTIVITY – SELECT 2013 TRANSACTIONS**

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/SQ. FT.	TYPE
7159 Polk Lane, Whispering Woods	DeSoto County	Helen of Troy	BTS by Helen of Troy	1,300,000	Bulk, Class A
3399 Raines Road, Centerpoint II	Southeast	Phillips Electronics N.A. Corp.	LNR Partners	600,000	Bulk, Class A
6000 Freeport Avenue, Chickasaw Distribution Center	Southeast	Creative Co-op	IDI	540,000	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
6100 E. Holmes Road, Chickasaw Distribution Center	Southeast	TJ Maxx	IDI	414,504	Bulk, Class A
8631 Polk Lane, Olive Branch Distribution	DeSoto County	Belnick, Inc.	H & M Company, Inc.	382,500	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
5405 Hickory Hill Road, Eastpark II	Southeast	Bryce Corporation	DCT	223,000	Bulk, Class A

**SALES ACTIVITY - SELECT 2013 TRANSACTIONS**

PROPERTY	SALES DATE	SALE PRICE	SIZE/SF	BUYER	TYPE
Bellbrook Industrial Park, 18 Building Portfolio	11/8/2013	\$23,300,000	1,775,354	Olymbec Corporate Group	Distribution, Class C
4880 Tuggle, Tuggle Distribution Center	12/16/13	\$17,100,000	1,135,453	Invesco Realty Advisors	Bulk, Class A
5000 E. Raines Road, Raines Distribution Center	11/12/2013	\$8,550,000	1,118,295	Olymbec Corporate Group	Bulk, Class B
3955 E. Holmes Road, Memphis Tradecenter	1/28/2013	\$27,100,000	1,039,000	Exeter Property Group	Bulk, Class A
5553 E. Raines Road, Raines Distribution Center	12/16/2013	\$9,102,890	658,820	SK Realty Management	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
4250 E. Shelby Drive	12/17/2013	\$14,300,000	585,535	JLM Memphis, LLC	Bulk, Class B
5510 E. Holmes Road, Memphis Logistics Center I	12/16/2013	\$13,900,777	433,100	Invesco Realty Advisors	Bulk, Class A
Outland Business Center, 5 Building Portfolio	2/21/2013	\$11,800,000	407,339	Huntington Industrial Partners	Distribution, Class B
5155 Citation Drive, Soutpoint Business Park	5/21/2013	\$11,250,000	400,000	Exeter Property Group	Bulk, Class A
5540 E. Holmes Road, Memphis Logistics Center II	12/16/13	\$9,099,216	283,500	Invesco Realty Advisors	Bulk, Class A
828 E. Holmes	2/22/2013	\$2,702,960	257,740	New Mill Capital	Bulk, Class C
3865 S. Perkins	11/18/2013	\$3,600,000	227,471	Mid South Food Bank	Bulk, Class B

MEMPHIS Q4 2013 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
<b>CRITTENDEN COUNTY</b>															
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	146,711	4.2%	0	0.0%	146,711	4.2%	3.8%	-13,000	-102,700				\$3.80
<b>Total</b>	<b>47</b>	<b>3,542,541</b>	<b>172,911</b>	<b>1.5%</b>	<b>0</b>	<b>0.0%</b>	<b>172,911</b>	<b>1.5%</b>	<b>1.5%</b>	<b>-13,000</b>	<b>-102,700</b>				<b>\$3.80</b>
<b>DESOTO COUNTY</b>															
Flex	16	456,228	75,169	16.5%	0	0.0%	75,169	16.5%	16.5%	0	16,200				\$3.25
Warehouse	218	41,371,931	3,256,446	7.9%	0	0.0%	3,256,446	7.9%	6.7%	140,249	3,776,614	672,206	2,842,098	1,376,232	\$2.97
<b>Total</b>	<b>234</b>	<b>41,828,159</b>	<b>3,331,615</b>	<b>8.0%</b>	<b>0</b>	<b>0.0%</b>	<b>3,331,615</b>	<b>8.0%</b>	<b>8.7%</b>	<b>140,249</b>	<b>3,792,814</b>	<b>672,206</b>	<b>2,842,098</b>	<b>1,376,232</b>	<b>\$3.02</b>
<b>MARSHALL COUNTY</b>															
Flex	1	14,400	3,600	25.0%	0	0.0%	3,600	25.0%	100.0%	10,800	10,800				\$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
<b>Total</b>	<b>30</b>	<b>4,143,406</b>	<b>102,725</b>	<b>2.7%</b>	<b>0</b>	<b>0.0%</b>	<b>102,725</b>	<b>2.7%</b>	<b>2.6%</b>	<b>10,800</b>	<b>3,300</b>				<b>\$2.25</b>
<b>NORTHEAST MEMPHIS</b>															
Flex	101	2,635,757	409,336	15.5%	5,921	0.2%	415,257	15.7%	17.6%	48,124	113,548				\$7.01
Warehouse	209	9,241,859	651,134	7.0%	0	0.0%	651,134	7.0%	7.0%	-2,895	45,804				\$4.41
<b>Total</b>	<b>310</b>	<b>11,877,616</b>	<b>1,060,470</b>	<b>8.7%</b>	<b>5,921</b>	<b>0.1%</b>	<b>1,066,391</b>	<b>9.9%</b>	<b>10.6%</b>	<b>45,229</b>	<b>159,352</b>				<b>\$4.91</b>
<b>NORTHWEST MEMPHIS</b>															
Flex	11	306,889	35,522	11.6%	0	0.0%	35,522	11.6%	15.6%	12,500	48,500				\$1.19
Warehouse	229	19,606,251	1,880,883	9.6%	0	0.0%	1,880,883	9.6%	9.0%	-119,295	70,040				\$2.05
<b>Total</b>	<b>240</b>	<b>19,913,140</b>	<b>1,916,405</b>	<b>9.6%</b>	<b>0</b>	<b>0.0%</b>	<b>1,916,405</b>	<b>9.6%</b>	<b>9.8%</b>	<b>-106,795</b>	<b>118,540</b>				<b>\$2.03</b>
<b>SOUTHEAST MEMPHIS</b>															
Flex	89	2,972,610	755,013	25.4%	0	0.0%	755,013	25.4%	26.0%	16,832	19,482				\$4.56
Warehouse	685	92,712,746	13,376,577	14.4%	66,720	0.1%	13,443,297	14.5%	13.8%	-679,312	-1,163,282				\$2.53
<b>Total</b>	<b>774</b>	<b>95,685,356</b>	<b>14,131,590</b>	<b>14.8%</b>	<b>66,720</b>	<b>0.1%</b>	<b>14,198,310</b>	<b>14.9%</b>	<b>14.5%</b>	<b>-662,480</b>	<b>-1,143,800</b>				<b>\$2.59</b>
<b>SOUTHWEST MEMPHIS</b>															
Flex	52	1,468,057	493,417	33.6%	0	0.0%	493,417	33.6%	33.9%	3,630	71,352				\$3.04
Warehouse	618	42,984,529	5,993,601	13.9%	0	0.0%	5,993,601	13.9%	13.8%	-77,200	434,506			445,000	\$1.73
<b>Total</b>	<b>670</b>	<b>44,452,586</b>	<b>6,487,018</b>	<b>14.6%</b>	<b>0</b>	<b>0.0%</b>	<b>6,487,018</b>	<b>14.6%</b>	<b>15.2%</b>	<b>-73,570</b>	<b>505,858</b>			<b>445,000</b>	<b>\$1.75</b>
<b>TOTAL MARKET</b>															
Flex	272	7,880,141	1,798,257	22.8%	5,921	0.1%	1,804,178	22.9%	24.1%	91,886	279,882				\$4.99
Warehouse	2,033	213,562,663	25,404,477	11.9%	66,720	0.0%	25,471,197	11.9%	11.3%	-751,453	3,053,482	672,206	2,842,098	1,821,232	\$2.46
<b>MARKET TOTAL</b>	<b>2,305</b>	<b>221,442,804</b>	<b>27,202,734</b>	<b>12.3%</b>	<b>72,641</b>	<b>0.0%</b>	<b>27,275,375</b>	<b>12.3%</b>	<b>11.8%</b>	<b>-659,567</b>	<b>3,333,364</b>	<b>672,206</b>	<b>2,842,098</b>	<b>1,821,232</b>	<b>\$2.54</b>

	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
2013 4Q	2,305	221,442,804	27,202,734	12.3%	72,641	0.0%	27,275,375	12.3%	11.7%	-659,567	3,333,364	672,206	2,842,098	1,821,232	\$2.54
2013 3Q	2,303	220,770,598	25,870,961	11.7%	72,641	0.0%	25,943,602	11.7%	12.3%	2,399,227	3,992,931	1,300,000	2,169,892	1,617,206	\$2.51
2013 2Q	2,302	219,470,598	26,962,848	12.3%	79,981	0.0%	27,042,829	12.3%	12.4%	296,335	1,593,704	0	869,892	2,417,206	\$2.57
2013 1Q	2,302	219,470,598	27,259,023	12.4%	80,141	0.0%	27,339,164	12.4%	12.7%	1,297,369	1,297,369	869,892	869,892	1,745,000	\$2.63
2012 4Q	2,301	218,600,706	27,681,700	12.7%	84,941	0.0%	27,766,641	12.7%	13.3%	2,543,827	1,501,210	1,372,305	1,942,952	1,219,892	\$2.57
2012 3Q	2,298	217,228,401	28,853,222	13.3%	84,941	0.0%	28,938,163	13.3%	13.0%	-387,279	-1,042,617	317,843	570,647	2,592,197	\$2.55
2012 2Q	2,297	216,960,558	28,185,750	13.0%	97,291	0.0%	28,283,041	13.0%	13.3%	587,830	-655,338	18,144	252,804	2,910,040	\$2.57
2012 1Q	2,297	216,960,558	28,773,589	13.3%	97,291	0.0%	28,870,880	13.3%	12.6%	-1,243,168	-1,243,168	234,660	234,660	1,269,892	\$2.56

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.

### COLLIERS INTERNATIONAL | MEMPHIS

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

### MANAGING PARTNER

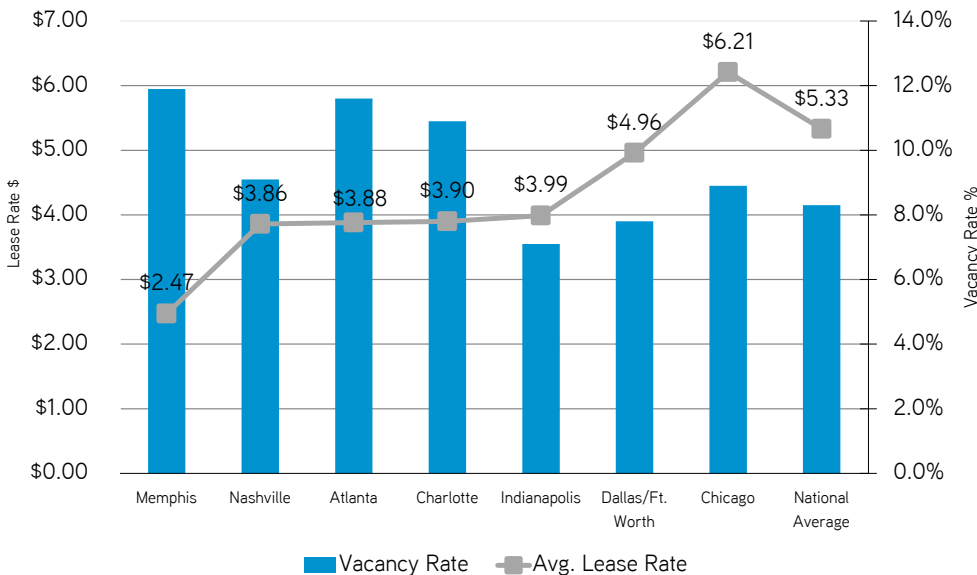
Gene Woods  
 Managing Partner | President  
 TEL +1 901 375 4800

### RESEARCHER

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

This report and other research materials may be found on our website at [www.colliers/memphis](http://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.