



MEMPHIS METRO MARKET RESEARCH & FORECAST REPORT



Leasing Activity at Year-End Bodes Well for 2015

EXECUTIVE SUMMARY/MARKET OVERVIEW

The Memphis Industrial Market ended 2014 with almost 224 million square feet, including 216 million square feet of warehouse space and 7.8 million in flex space.

2.6 million square feet in new construction deliveries in 2014 more than accounted for just over 1.8 million square feet in net absorption for the year. While total net absorption for 2014 was approximately as relatively low, an additional 1.4 million square feet of leases were signed in the fourth quarter that will commence in future quarters, continuing to positively affect the market's absorption numbers.

Average rental rates inched up from \$2.55 as of year-end 2013, to \$2.64 as of year-end 2015, but there was very little movement over the course of the year. Similarly, there was very little change in vacancy rates, which ended 2013 at 12.0% and 2014 at 12.2%.

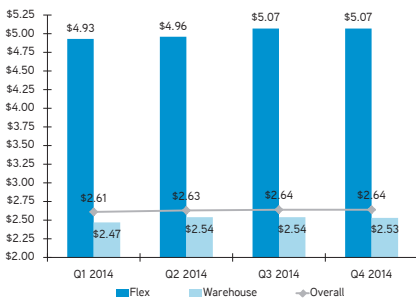
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MARKET INDICATORS

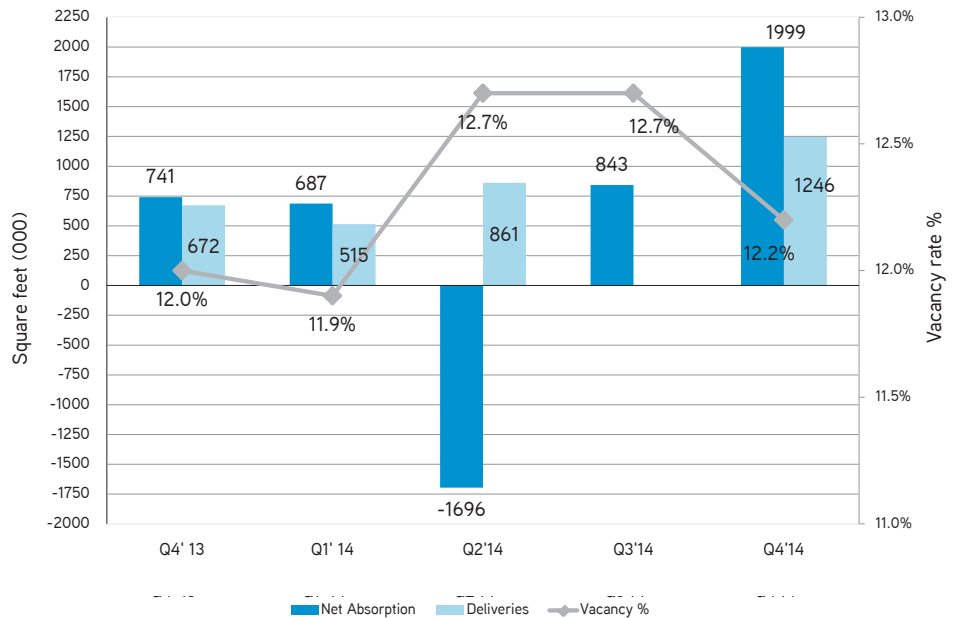
	Q4	Projected Next QTR
VACANCY	↔	↔
NET ABSORPTION	↑	↔
CONSTRUCTION	↓	↔
RENTAL RATE	↔	↔

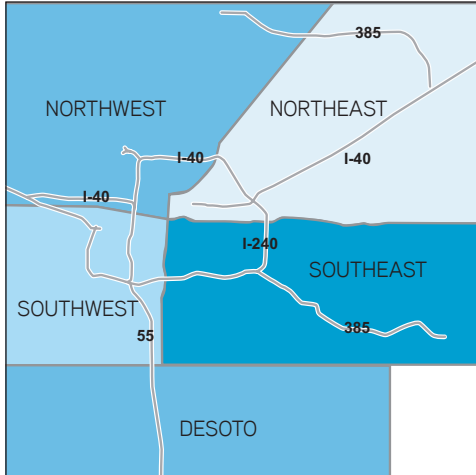
Arrows compare current quarter to the previous quarters' historically adjusted figures.

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



MEMPHIS INDUSTRIAL MARKET





LEASING ACTIVITY AT YEAR-END BODES WELL FOR 2015 (CONTINUED)

DeSoto County continues to be the submarket of choice, particularly for speculative development. Nearly 1.1 million square feet in two different spec buildings were delivered in the county in 2014. IDI delivered an 861,252 square foot building in Crossroads Distribution Center and Prologis delivered a 218,400 square foot building in Prologis Park Desoto.

Marshall County is also seeing some activity. Vacancy inched up slightly from 12.0% in the fourth quarter of 2013 to 12.2% in the fourth quarter of 2014. The increase was due in large part to Hunter Fan’s departure from 100 Nemecc Way in the second quarter, five years before the expiration of their lease in 2020. The space is currently available for sublease. While total vacancy increased slightly, direct vacancy decreased from 12.0% in the fourth quarter of 2013 to 11.1% in the fourth quarter of 2014. A 1,027,000 square-foot build-to-suit was delivered in Q4 for Volvo in the Gateway Global Logistics Center and a 554,000 square foot spec building is underway in the same center. A 350,000 expansion is also expected to be completed in Q1 2015 for Asics in Chickasaw Trails Industrial Park.

In the other submarkets, A 95,000 square foot build-to-suit for FedEx is under construction in the Southwest and a 1.3 million square foot expansion for Nike in the Northwest Submarket.

UPDATE Recent Transactions

LEASING ACTIVITY – SELECT Q4 2014 TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE/ SQ. FT.	TYPE
100 Gateway Global Drive, Gateway Global Logistic Center	Marshall	Volvo	Panattoni	1,027,000	Bulk, Class A
5461 Davidson, Memphis Industrial Park	Southeast	Target	UBS	900,000	Bulk, Class A
5050 Holmes Road, Summit Distribution Center III	Southeast	FedEx Supply Chain	Principal	220,635	Bulk, Class A
1900 Behnke, Memphis Depot	Southwest	Nickey Warehouse	Mayfield Properties	208,010	Distribution, Class C
8735 S. Crossroad Dr., Crossroads Distribution Center, Bldg. G	DeSoto County	Genco	IDI	168,480	Bulk, Class A
444 Winchester Road, Winchester Distribution	Southwest	Nickey Warehouse	Boyle	130,000	Bulk, Class C
4001-4100 Hickory Hill Road, Memphis Distribution Center, Bldg. B	Southeast	Anixter	Industrial Income Trust	100,000	Bulk, Class B

SALES ACTIVITY - SELECT Q4 2014 TRANSACTIONS

PROPERTY	SALES DATE	SALE PRICE	SIZE/SF	BUYER	TYPE
4155 E. Holmes Road, Memphis Oaks	12/22/2014	\$32,300,000	922,500	Exeter Property Group	Bulk, Class A
MIAC, 9 Building Portfolio	4/17/2014	\$24,200,000	1,141,086	Greenfield Partners LLC	Bulk/Distribution, Class B
5200 Tradeport, HP Memphis	3/7/2014	\$20,000,000	625,000	Exeter Property Group	Bulk, Class A
3399 East Raines, Centerpoint Distribution Center	3/7/2014	\$18,000,000	600,000	Exeter Property Group	Bulk, Class A
Mendenhall Business Center, 5 Building Portfolio	2/12/2014	\$16,950,000	665,053	Taurus Investment Holdings, LLC	Distribution/Flex, Class B
6005 Freeport Rd., CIC Memphis	3/7/2014	\$14,800,000	550,000	Exeter Property Group	Bulk, Class A
4836 Hickory Hill Road, Hickory Hill Industrial Park	12/30/2014	\$14,500,000	646,160	Select Income REIT	Bulk, Class A
4550 Swinnea Road, Memphis International	3/7/2014	\$10,100,000	337,655	Exeter Property Group	Bulk, Class A
Corporate Park - 5 building portfolio	6/24/2014	\$9,000,000	551,264	Huntington Industrial	Distribution, Class B
8950 Hacks Cross Road	12/23/2014	\$7,150,000	240,000	Sealy & Company	Bulk, Class B
3485 Tchulatech 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

MEMPHIS Q4 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%	6.9%	0	-66,147				\$3.80
Total	48	3,715,411	280,048	5.6%	0	0.0%	280,048	7.5%	7.5%	0	-66,147				\$3.80
DESOTO COUNTY															
Flex	16	426,228	37,570	8.8%	0	0.0%	37,570	8.8%	9.1%	1,200	30,599				\$3.25
Warehouse	221	42,821,444	3,266,234	7.6%	96,588	0.2%	3,362,822	7.9%	8.4%	246,724	824,126	218,400	1,594,632		\$2.94
Total	237	43,247,672	3,303,804	7.6%	96,588	0.2%	3,400,392	7.9%	8.4%	247,924	854,725	218,400	1,594,632		\$2.96
MARSHALL COUNTY															
Flex	1	14,400	1,800	12.5%	0	0.0%	1,800	12.5%	12.5%	0	1,800				\$0.00
Warehouse	28	5,128,606	16,125	0.3%	941,000	18.3%	957,125	18.7%	23.3%	1,027,000	161,000	1,027,400	1,027,400	904,040	\$2.39
Total	29	5,143,006	17,925	0.5%	941,000	18.3%	958,925	18.6%	23.3%	1,027,000	162,800	1,027,000	1,027,400	904,040	\$2.25
NORTHEAST MEMPHIS															
Flex	101	2,646,996	399,532	15.1%	0	0.0%	399,532	15.1%	15.7%	15,154	-1,708				\$6.76
Warehouse	212	9,288,729	501,471	5.3%	0	0.0%	501,471	5.4%	5.4%	-3,146	135,313				\$5.08
Total	313	11,935,725	901,003	8.7%	0	0.0%	901,003	7.5%	7.6%	12,008	133,605				\$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	19,367,693	1,621,996	8.4%	0	0.0%	1,621,996	8.4%	8.4%	12,920	141,152			1,300,000	\$2.60
Total	240	19,716,772	1,665,418	9.2%	0	0.0%	1,665,418	8.4%	8.6%	12,920	141,152			1,300,000	\$2.32
SOUTHEAST MEMPHIS															
Flex	87	2,950,745	693,335	23.5%	0	0.0%	693,335	23.5%	24.9%	40,077	71,988				\$4.62
Warehouse	686	92,679,940	12,698,575	13.7%	109,012	0.1%	12,807,587	13.8%	14.2%	308,636	841,008				\$2.53
Total	773	95,630,685	13,391,910	15.2%	109,012	0.1%	13,500,922	14.1%	14.5%	348,713	912,996				\$2.60
SOUTHWEST MEMPHIS															
Flex	51	1,458,307	438,939	30.1%	0	0.0%	438,939	30.1%	30.8%	10,389	54,254				\$3.76
Warehouse	613	43,075,401	6,089,226	14.1%	0	0.0%	6,089,226	14.1%	14.9%	340,406	-359,677			95,000	\$1.83
Total	664	44,533,708	6,528,165	14.4%	0	0.0%	6,528,165	14.7%	15.4%	350,795	-305,423			95,000	\$1.75
TOTAL MARKET															
Flex	271	7,871,955	1,640,798	21.5%	0	0.2%	1,640,798	21.5%	22.5%	66,820	156,933				\$4.59
Warehouse	2,033	216,051,024	24,447,475	11.3%	1,146,600	0.5%	25,594,075	11.8%	12.3%	1,932,540	1,676,775	1,245,800	2,622,032	2,299,040	\$2.53
MARKET TOTAL	2,304	223,922,979	26,088,273	11.7%	1,146,600	0.5%	27,234,873	12.2%	12.7%	1,999,360	1,833,708	1,245,800	2,622,032	2,299,040	\$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 4Q	2,304	223,922,979	26,088,273	11.7%	1,146,600	0.5%	27,234,873	12.2%	12.7%	1,999,360	1,833,708	1,245,800	2,622,032	2,299,040	\$2.64
2014 3Q	2,304	222,908,651	27,107,576	12.2%	1,112,329	0.5%	28,219,905	12.7%	12.7%	843,244	-165,652	0	1,376,232	2,640,800	\$2.64
2014 2Q	2,303	222,047,399	27,086,688	12.2%	1,115,209	0.5%	28,201,897	12.7%	11.9%	-1,695,929	-1,008,896	861,252	1,376,232	3,502,052	\$2.63
2014 1Q	2,303	222,047,399	26,428,347	11.9%	77,621	0.0%	26,505,968	11.9%	12.0%	687,033	687,033	514,980	514,980	2,256,252	\$2.61
2013 4Q	2,302	221,532,419	26,605,380	12.0%	72,641	0.0%	26,678,021	12.0%	12.1%	741,758	4,641,308	672,206	3,192,080	3,121,232	\$2.55
2013 3Q	2,300	220,860,213	26,674,932	12.1%	72,641	0.0%	26,747,573	12.1%	12.6%	2,126,041	3,899,550	1,300,000	2,519,892	2,917,206	\$2.52
2013 2Q	2,299	219,560,213	27,493,633	12.5%	79,981	0.0%	27,573,614	12.6%	12.7%	629,829	1,773,509	350,000	1,219,892	3,717,206	\$2.58
2013 1Q	2,298	219,210,213	27,773,302	12.7%	80,141	0.0%	27,853,443	12.7%	12.9%	1,143,680	1,143,680	869,892	869,892	1,745,000	\$2.64

Includes existing industrial buildings over 10,000 SF. Excludes self-storage and truck terminals.

*Sublease space equals available space which is currently leased and occupied by the sub-tenant (lessee). Vacancy rate is only affected by sublet space when sub-tenant has vacated property.

**Net Absorption based on occupancy date.

Source: CoStar Group

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 2013 results.

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

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INDUSTRIAL MARKET COMPARISON

