MEMPHIS METRO MARKET

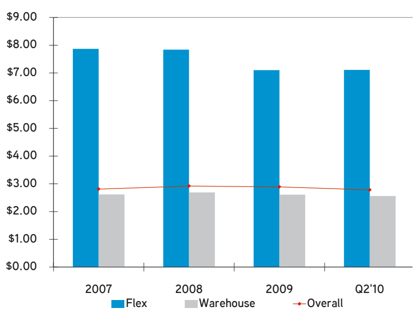
RESEARCH & FORECAST REPORT

Colliers INTERNATIONAL

MARKET INDICATORS

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

AVERAGE RENTAL RATES FLEX & WAREHOUSE PSF (NNN)



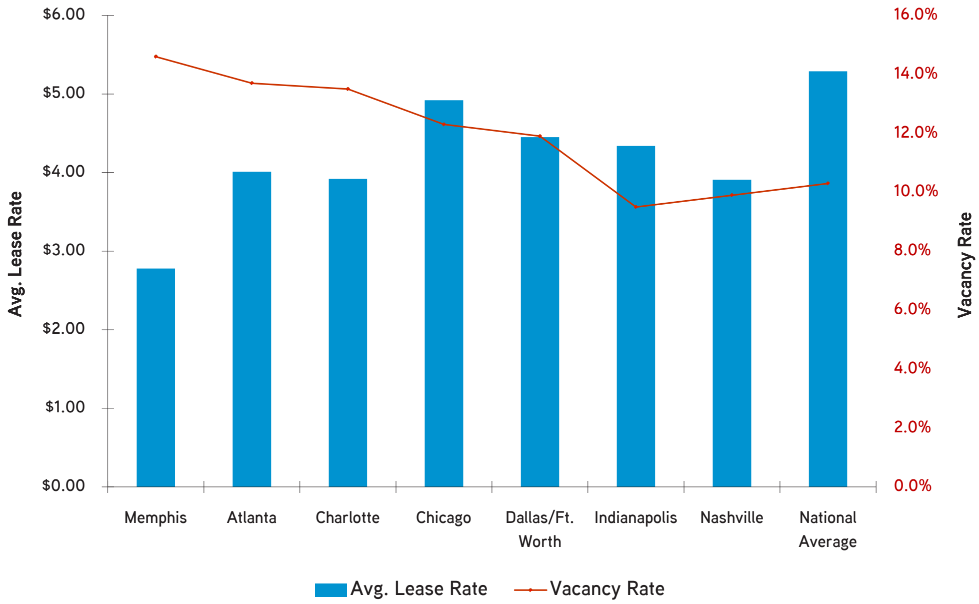
THE NUMBERS

The total Memphis industrial market ended Q2 2010 at just more than 200 million square feet, including almost 192 million square feet in warehouse and 8.3 million square feet in flex space. Deliveries for the first half of the year totaled just 400,000 square feet, all in the Riviana Foods building located in the Southwest Submarket.

The total industrial vacancy rate decreased from 14.8 percent at year-end 2009 to 14.6 percent as of June 30, 2010. Absorption in the first half of the year was 973,830 square feet.

Overall asking rental rates declined slightly from $2.81 at year-end 2009 to $2.78 as of mid-year 2010. Warehouse asking rental rates ended Q2 2010 down slightly, moving from $2.61 to $2.56, while flex rates have stabilized in the $7.11 range over the last three quarters after a significant drop from their high of $7.84 in Q4 2008. Memphis overall asking rental rates of $2.78 continue to be a bargain as compared to national average rates of more than $5.29.

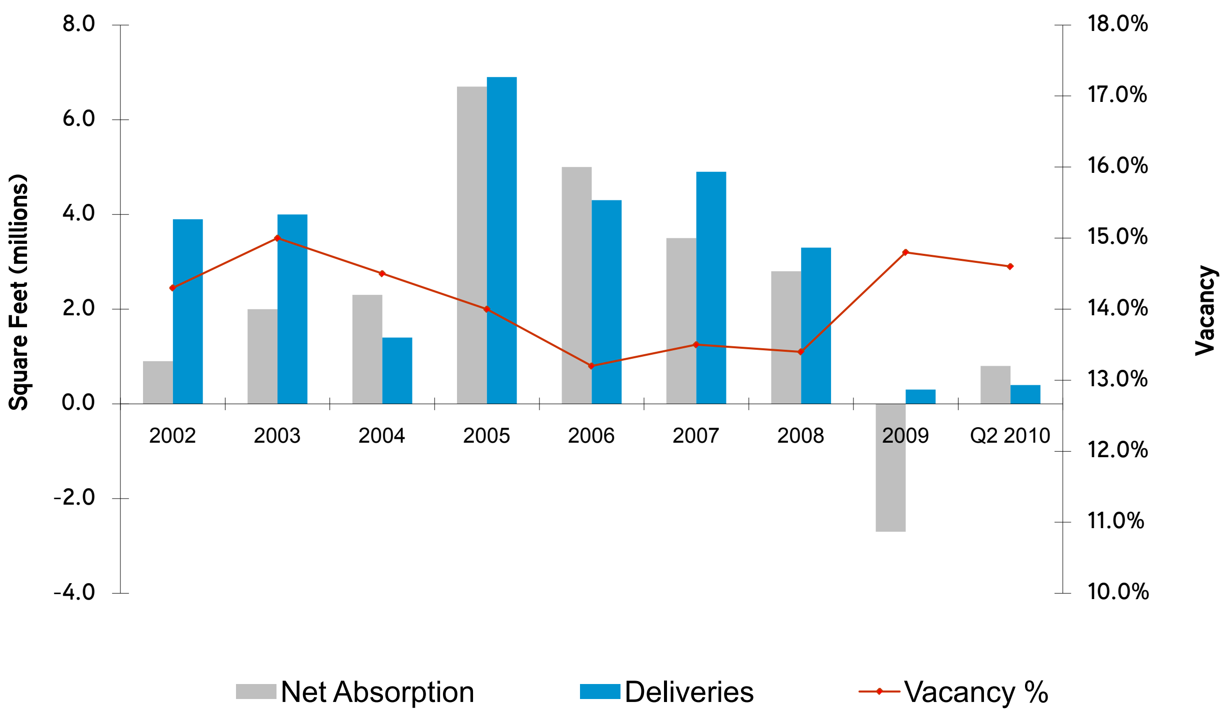
INDUSTRIAL MARKET COMPARISON



Andy Cates, SIOR

"Predictions at year-end of bargain shopping are coming true: more and more clients are taking advantage of the incredible deals in the market and there is no new development, so demand has increased accordingly."

MEMPHIS INDUSTRIAL MARKET



UPDATE Recent Transactions

LEASING ACTIVITY

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE / SF	TYPE
Summit Distribution, Phase II	Southeast	Technicolor	USAA	789,291	Bulk, Class A
Airways Industrial Park	DeSoto	Siemens Corporation	Hillwood	619,000	Bulk, Class A
Summit Distribution, Phase I	Southeast	Technicolor	TIAA	580,131	Bulk, Class A
Deltapoint Business Park	Southeast	Solae	Dividend Capital Trust	472,000	Bulk, Class A
Southpoint Distribution Center	DeSoto	Imperial Toy	Panattoni	312,000	Bulk, Class A
Southaven Distribution Center	DeSoto	Fiskars Brands, Inc.	Panattoni	260,000	Bulk, Class A
Memphis Oaks	Southeast	GE	Panattoni	225,000	Bulk, Class A
Southpoint Distribution Center*	Southeast	Newegg.com	Principal Real Estate Investors	223,800	Bulk, Class A

*Renewal

BEHIND THE NUMBERS

Positive absorption of almost 1 million square feet in the first half of 2010 resulted in part from the following activity:

- a 619,000 square foot lease by Siemens AG, locating a new assembly and distribution facility to the Airways Distribution Center in Southaven, MS, adding 150 new jobs;
- the delivery of the Riviana Foods facility in the Southwest Submarket, the culmination of the consolidation of their Houston facility with the existing Memphis plant, creating the largest rice processing plant in North America, and creating 120 new jobs;
- the relocation to DeSoto County of Fiskars Corporation's Wisconsin distribution facility to 260,000 square feet of space in the Southaven Distribution Building, which will add 100 new jobs; and
- the expansion of Technicolor SA, at Summit Distribution Center in the Southeast Submarket to 3.43 million square feet, making this Paris-based company one of the largest third-party logistics operator in Memphis and creating 150 new jobs.

MEMPHIS MID-YEAR 2010 MARKET STATISTICS

Submarket	Buildings	Total SF	Available SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries (SF)	Under Construction	Avg Rent NNN
CRITTENDEN COUNTY								
Flex	2	21,700	15,000	69.1%	0	0	0	N/A
Warehouse	61	3,193,009	283,151	8.9%	-12,731	0	0	$3.14
Total	63	3,214,709	298,151	8.9%	-12,731	0	0	$3.14
DESOTO COUNTY								
Flex	42	499,809	58,225	11.6%	-2,425	0	0	$8.07
Warehouse	231	31,515,281	4,834,652	15.3%	471,136	0	0	$2.98
Total	273	32,015,090	4,892,877	15.3%	468,711	0	0	$3.02
NORTHEAST MEMPHIS								
Flex	126	2,791,843	491,663	17.6%	-21,596	0	0	$9.02
Warehouse	189	7,747,242	883,924	11.4%	54,480	0	0	$5.37
Total	315	10,539,085	1,375,587	13.1%	32,884	0	0	$6.75
NORTHWEST MEMPHIS								
Flex	21	350,807	123,996	35.3%	12,000	0	0	$4.22
Warehouse	233	17,842,612	3,249,377	18.2%	-40,856	0	0	$1.94
Total	254	18,193,419	3,373,373	18.5%	-28,856	0	0	$2.06
SOUTHEAST MEMPHIS								
Flex	136	2,994,952	740,557	24.7%	2,780	0	0	$5.63
Warehouse	868	90,832,565	12,361,341	13.6%	-74,920	0	0	$2.52
Total	1004	93,827,517	13,101,898	14.0%	-72,140	0	0	$2.61
SOUTHWEST MEMPHIS								
Flex	68	1,688,425	453,598	26.9%	0	0	0	$6.52
Warehouse	779	40,624,824	5,480,281	13.5%	585,962	400,000	0	$1.92
Total	847	42,313,249	5,933,879	14.0%	585,962	400,000	0	$2.21
TOTAL MARKET								
Flex	395	8,347,536	1,883,039	22.6%	-9,241	0	0	$7.11
Warehouse	2361	191,755,533	27,092,726	14.1%	983,071	400,000	0	$2.56
Total	2756	200,103,069	28,975,765	14.5%	973,830	400,000	0	$2.78

Primary data source for charts and graphs: CoStar Group, Inc.

BEYOND THE NUMBERS

The Memphis market is beginning to see some stabilization. Continued expansions by major corporations such as Siemens and Technicolor prove that the market offers an ideal mix of trained workers, well-equipped facilities, and attractive rates.

Dan Wilkinson, chairman of the Memphis office of Colliers International, provides insight in the current investment market:

"It now appears that for Class A warehouses (tilt-up, 32' clear, crossed-docked, with ESFR sprinklers and T-5 lighting) the bottom has been reached and capitalization rates are coming down for both well-leased and well-located, multi-tenant facilities, and on long-term, single-tenant facilities as well. Properties for sale in the above categories are hard to find, but when offered, seem to attract multiple buyers. No recent sales have taken place in Memphis; however, in Dallas, multi-tenant facilities are selling in the low to mid 9's, and long-term leased facilities are dipping just under 8 on cap rates. The Memphis market generally compares well with Dallas, with our cap rates being 25 basis points higher than Dallas. Anticipated prices may come close to $30 per square foot for multi-tenant warehouses, and some long-term leased properties may top $30 per square foot. There is very little activity in older properties, and cap rates on these properties will still remain substantially above 10 percent. It is conceivable that we will see some of these older properties sell for less than $10 per square foot."

According to Brad Kornegay, CEO of the Asset Services office in Memphis:

"We began seeing an attitude shift from Corporate America as early as August of last year. If you were a company/corporation and had made it until then, you felt reasonably comfortable that you would make it through the economic downturn. Hence, companies had to begin planning again. Real estate, however, was still in decline and there were deals to be had, so the hope was that companies that had weathered the storm would see this as an opportunity. In Memphis, this began to happen with an increase in Class A prospect activity in the third quarter of 2009 while activity in many major markets remained stagnant. In the past seven months, there have been over 3.5 million square feet in Class A deals executed, significantly reducing Class A inventory. Lease terms have gotten longer and rental rates have been very aggressive, primarily in the first few years. However, owners cannot continue to be this aggressive, so the deals will not last indefinitely."

As in several past downturns, Memphis has proven once again its ability to rebound quicker than many markets during difficult economic times.

Dan Wilkinson, SIOR, CRE, FRICS

Brad Kornegay

480 offices in 61 countries on 6 continents

United States: 135
Canada: 39
Latin America: 17
Asia Pacific: 194
EMEA: 95

- $1.9 billion in annual revenue
- 1.4 billion square feet under management
- Over 15,000 professionals

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