

Memphis, TN

2nd Quarter 2014

Industrial Market Report

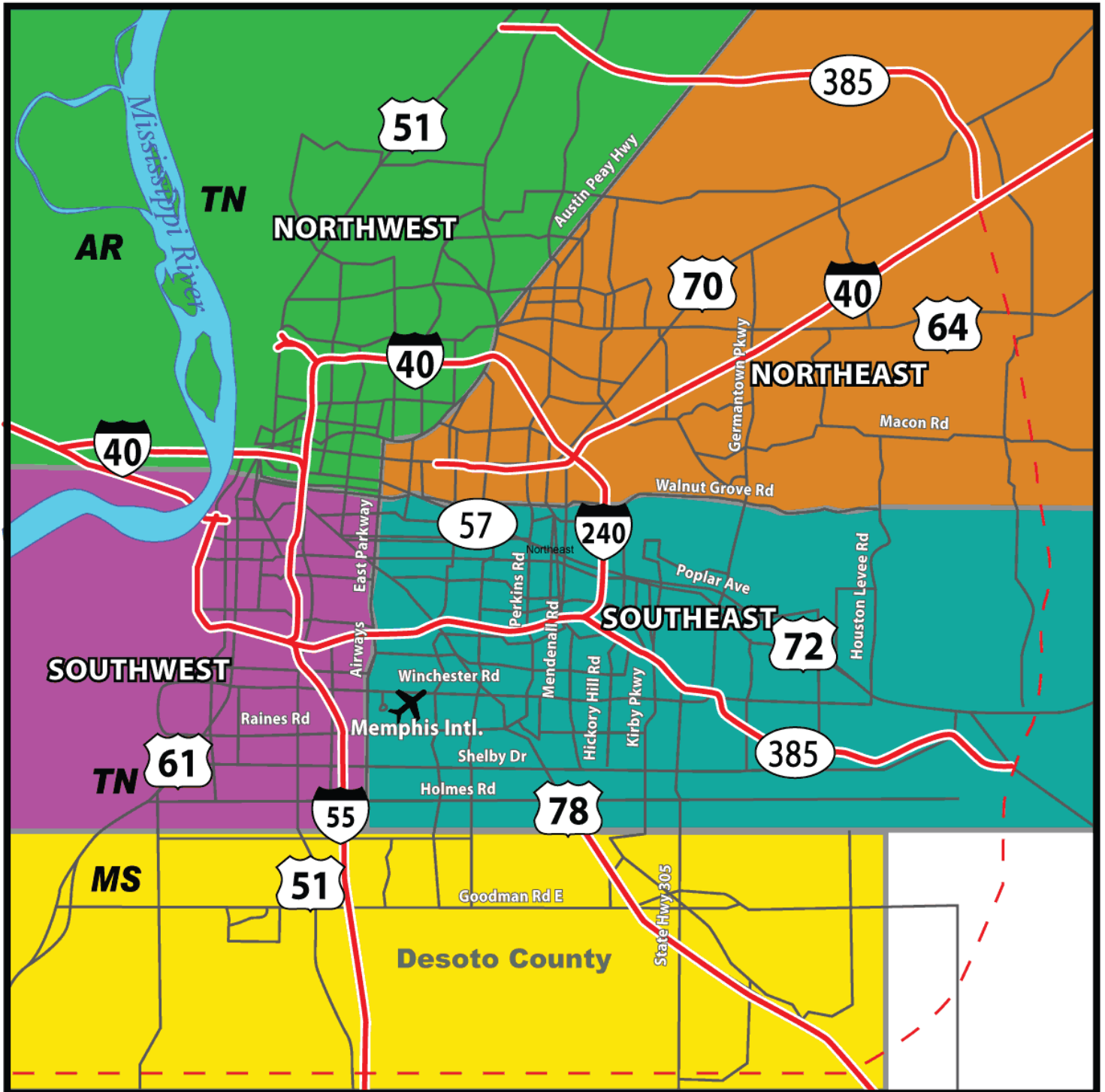
Xceligent[®]

COMMERCIAL REAL ESTATE INFORMATION

| | |
|--|---------------------|
| Table of Contents/Methodology of Tracked Set | 2 |
| Market Map | 3 |
| Quarterly Statistics for 2nd Quarter 2014 | 4-7 |
| Key Deals Signed in the 2nd Quarter | 8 |
| Memphis Xceligent Team | 9 |

The Memphis tracked set consists of an inventory of buildings considered to be competitive within the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for each market area.

| | |
|---------------------------------------|---|
| Tracked Inventory (Industrial) | The total square feet of all single and multi-tenant buildings greater than 10,000 SF. Airplane hangar space, government property, and obsolete/remediation properties are excluded. |
| Total Available SF | All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move. |
| Direct Vacant SF | The total of the direct vacant square footage in a building that is being marketed. |
| Net Absorption | The net change in occupied square feet from quarter to quarter, expressed in square feet. |
| Note | This report reflects Direct Vacancy and Absorption, Sublease space is excluded |



Notable Activity

After a strong first quarter start in 2014 with over 1 million square feet of space absorbed, the market cooled off during the second quarter posting less than 100,000 square feet of positive absorption. Several significant leases were signed during the quarter only to be offset by Louis Dreyfus downsizing by over 600 thousand square feet. Cargill leased over 400,000 square feet in the Southwest market and OLAM took over 300,000 square feet in the Southeast market.

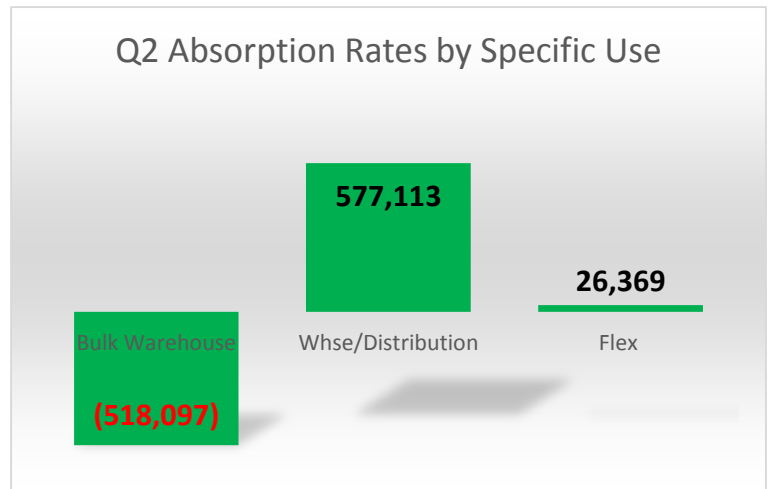
2nd Quarter Statistics (Overall)

| | # of Bldgs | Inventory (SF) | Total Available (SF) | Direct Available (SF) | Direct Vacant (SF) | Direct Vacancy Rate (%) | Available Sublease (SF) | Quarterly Direct Net Absorption (SF) | YTD Direct Net Absorption (SF) |
|--------------------|--------------|--------------------|----------------------|-----------------------|--------------------|-------------------------|-------------------------|--------------------------------------|--------------------------------|
| Bulk Warehouse | 235 | 103,669,296 | 15,313,209 | 14,225,340 | 13,016,765 | 12.6% | 1,087,869 | (518,097) | (953,514) |
| Whse/Distribution | 716 | 58,873,813 | 11,478,400 | 11,294,900 | 9,235,219 | 15.7% | 183,500 | 577,113 | 2,100,065 |
| Flex | 345 | 14,265,475 | 2,646,068 | 2,603,947 | 2,356,285 | 16.5% | 42,121 | 26,369 | (18,058) |
| Grand Total | 1,296 | 176,808,584 | 29,437,677 | 28,124,187 | 24,608,269 | 13.9% | 1,313,490 | 85,385 | 1,128,493 |

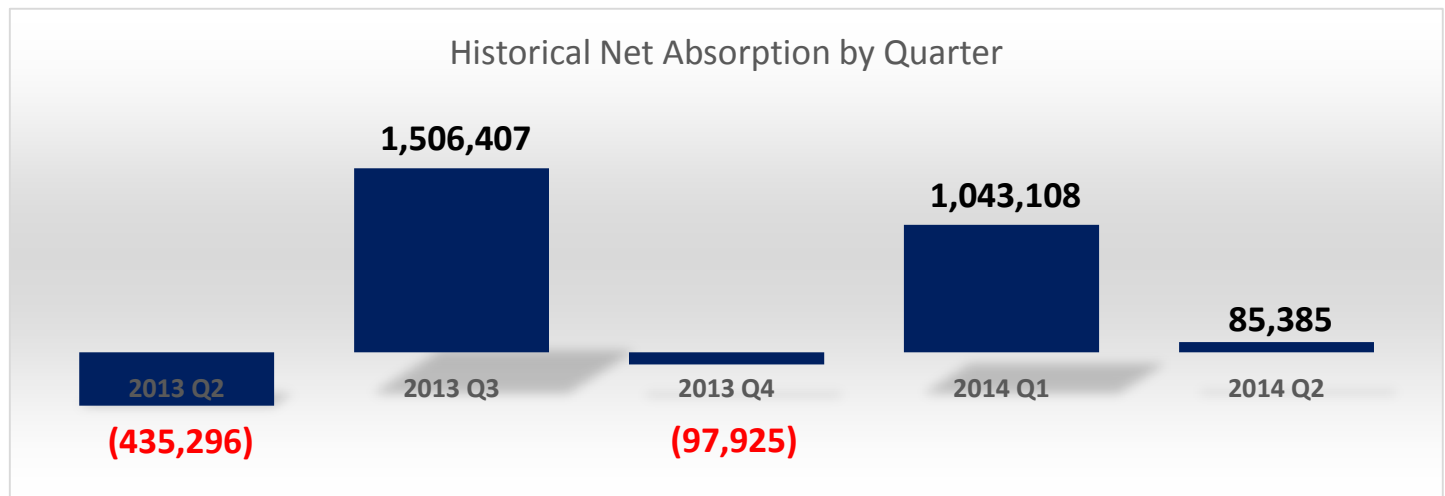
Historical Stats for Memphis Industrial

| Quarter | Inventory (SF) | Vacancy Rate (%) | Qtrly Absorption (SF) |
|---------|----------------|------------------|-----------------------|
| 2014 Q2 | 176,808,584 | 13.9% | 85,385 |
| 2014 Q1 | 176,808,584 | 14.0% | 1,043,108 |
| 2013 Q4 | 176,808,584 | 14.6% | (97,925) |
| 2013 Q3 | 176,808,584 | 14.5% | 1,506,407 |
| 2013 Q2 | 176,808,584 | 15.4% | (435,296) |

Q2 Absorption Rates by Specific Use

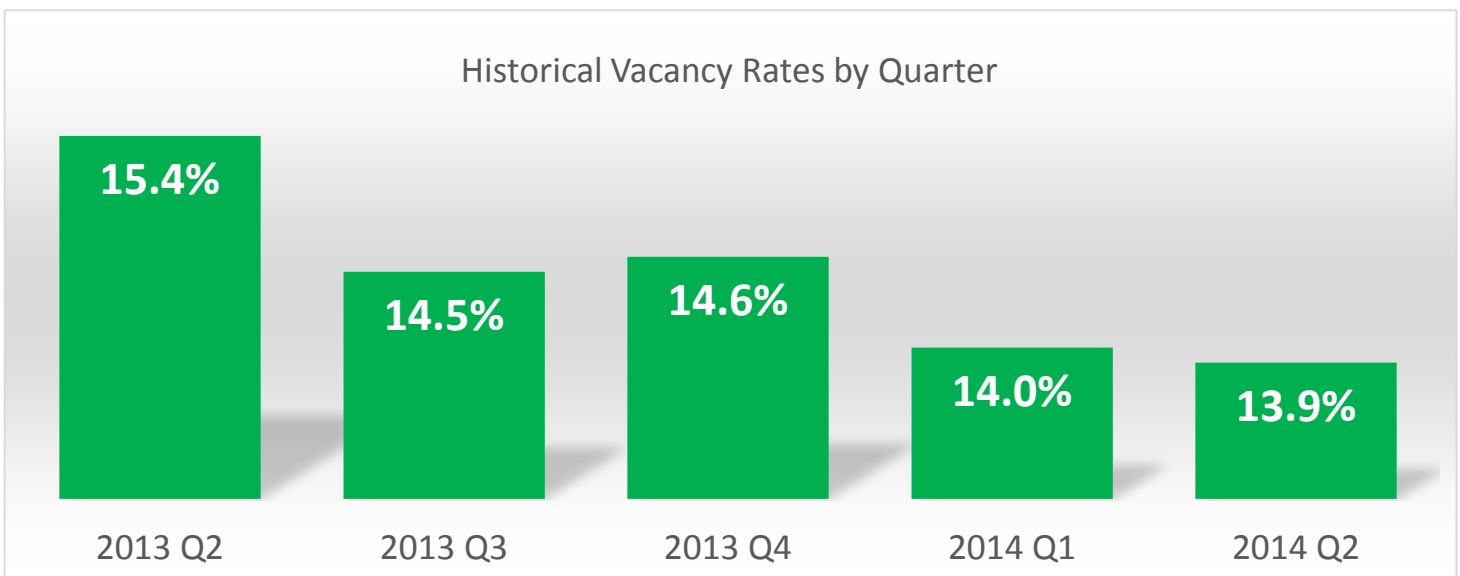


Historical Net Absorption by Quarter

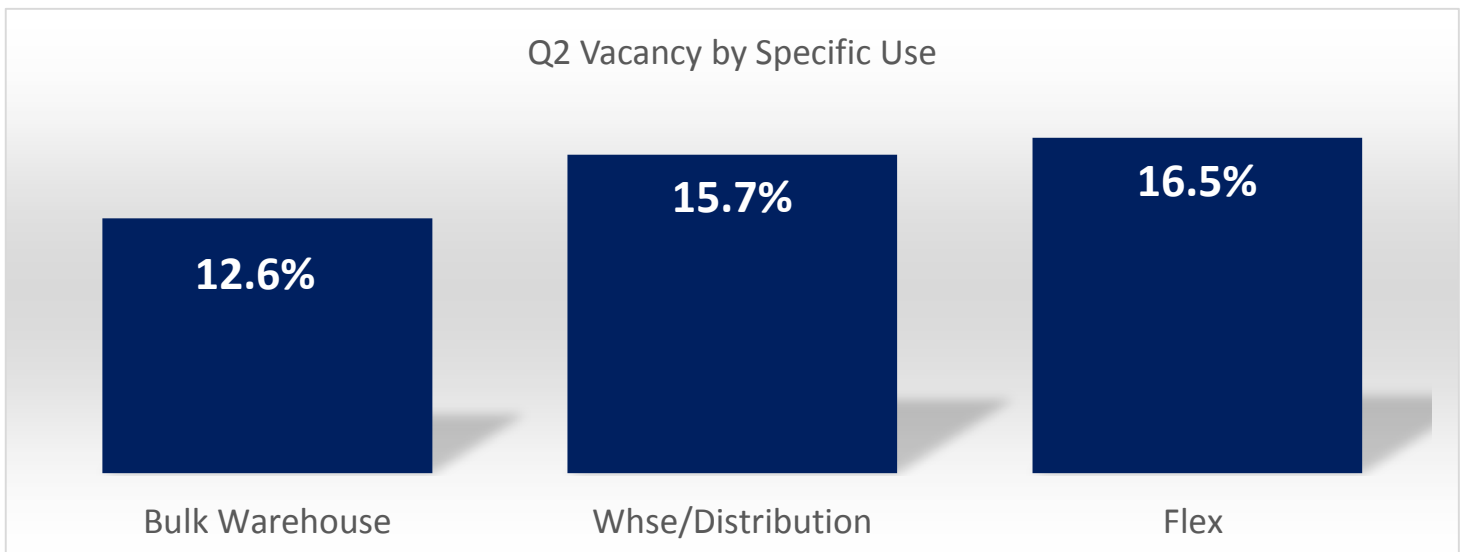


Vacancy Trends

The announcement of Volvo building a 1 million square foot distribution center in Byhalia and creating 250 thousand jobs, is indicative of the growth happening in the Memphis industrial market. Nike is in the works to expand their distribution center by another 1 million square feet in North Memphis, while ProLogis broke ground on their 218,000 SF facility in DeSoto County this quarter. IDI still has its 861,252 building under construction at Crossroads Distribution Center, which is expected to deliver in August of 2014. These two projects will bring over 1 million square feet of speculative development to a market with just under a 14% vacancy rate.



As vacancy rates continue to decrease, the pendulum is starting to swing in the Landlord's favor with rental rates seeing a slight jump for the first time in four quarters



| Q2 Average Asking Rates (NNN) | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2013 Q2 | 2013 Q3 | 2013 Q4 | 2014 Q1 | 2014 Q2 |
| Southeast | \$3.51 | \$3.43 | \$3.44 | \$3.44 | \$3.68 |
| Bulk Warehouse | \$2.51 | \$2.47 | \$2.56 | \$2.47 | \$2.53 |
| Whse/Distribution | \$2.79 | \$2.62 | \$2.64 | \$2.69 | \$2.81 |
| Flex | \$5.25 | \$5.29 | \$5.34 | \$5.16 | \$5.42 |
| Southwest | \$1.78 | \$1.80 | \$1.59 | \$1.69 | \$1.66 |
| Bulk Warehouse | \$1.19 | \$1.14 | \$1.14 | \$1.23 | \$1.16 |
| Whse/Distribution | \$1.33 | \$1.36 | \$1.38 | \$1.45 | \$1.44 |
| Flex | \$5.16 | \$5.16 | \$3.80 | \$3.80 | \$3.80 |
| Northwest | \$2.11 | \$2.11 | \$0.98 | \$0.98 | \$0.93 |
| Bulk Warehouse | \$8.88 | \$8.88 | \$0.74 | \$0.74 | \$0.74 |
| Whse/Distribution | \$1.59 | \$1.59 | \$1.00 | \$1.00 | \$0.94 |
| Flex | NA | NA | NA | NA | NA |
| Northeast | \$5.84 | \$5.33 | \$5.42 | \$5.50 | \$5.50 |
| Bulk Warehouse | \$2.51 | \$2.41 | \$2.41 | \$2.42 | \$2.42 |
| Whse/Distribution | \$4.06 | \$3.75 | \$3.79 | \$3.79 | \$3.79 |
| Flex | \$7.58 | \$7.09 | \$7.24 | \$7.44 | \$7.04 |
| DeSoto County | \$2.96 | \$2.87 | \$2.76 | \$2.65 | \$2.80 |
| Bulk Warehouse | \$2.95 | \$3.00 | \$3.08 | \$3.23 | \$3.23 |
| Whse/Distribution | \$2.92 | \$2.84 | \$2.60 | \$2.42 | \$2.59 |
| Flex | \$3.25 | NA | NA | NA | NA |
| Grand Total | \$3.52 | \$3.47 | \$3.40 | \$3.40 | \$3.63 |

| Q2 Largest Changes in Occupancy | | | | |
|---------------------------------|-------------------|------------------------|---------------------------------------|-----------|
| Property Name | Specific Use | SF occupied or vacated | Company Name | Market |
| 4219 Air Trans Rd | Whse/Distribution | 336,000 | OLAM Cotton | Southeast |
| Memphis Depot Bldg 470 | Bulk Warehouse | 207,921 | Cargill | Southwest |
| Memphis Depot Bldg 629 | Whse/Distribution | 109,994 | Cargill | Southwest |
| Memphis Depot Bldg 430 | Whse/Distribution | 109,994 | Cargill | Southwest |
| 3980 Premier Ave | Whse/Distribution | 98,313 | Seismic Audio Speakers, Inc. | Southeast |
| Memphis Depot Bldg 550 | Whse/Distribution | -109,994 | Louis Dreyfus | Southwest |
| Memphis Depot Bldg 450 | Whse/Distribution | -109,994 | Louis Dreyfus | Southwest |
| Memphis Depot Bldg 549 | Whse/Distribution | -109,994 | Louis Dreyfus | Southwest |
| Memphis Depot Bldg 690 | Bulk Warehouse | -166,456 | Louis Dreyfus | Southwest |
| Memphis Depot Bldg 670 | Bulk Warehouse | -206,654 | Louis Dreyfus | Southwest |
| 4300 Concorde | Bulk Warehouse | -435,426 | Williams-Sonoma vacated 435,426 SF | Southeast |

2nd Quarter Statistics (By Submarket)

| | # of Bldgs | Inventory (SF) | Total Available (SF) | Direct Available (SF) | Direct Vacant (SF) | Direct Vacancy Rate (%) | Available Sublease (SF) | Quarterly Direct Net Absorption (SF) | YTD Direct Net Absorption (SF) |
|----------------------|--------------|--------------------|----------------------|-----------------------|--------------------|-------------------------|-------------------------|--------------------------------------|--------------------------------|
| Southeast | 492 | 86,676,051 | 17,190,029 | 15,981,548 | 13,965,748 | 16.1% | 1,208,481 | 190,078 | 276,170 |
| Bulk Warehouse | 123 | 56,760,982 | 10,906,518 | 9,915,237 | 9,452,237 | 16.7% | 991,281 | (402,408) | (724,798) |
| Whse/Distribution | 292 | 26,342,096 | 5,139,289 | 4,955,789 | 3,508,622 | 13.3% | 183,500 | 590,487 | 1,056,639 |
| Flex | 77 | 3,572,973 | 1,144,222 | 1,110,522 | 1,004,889 | 28.1% | 33,700 | 1,999 | (55,671) |
| Southwest | 356 | 31,083,222 | 6,801,787 | 6,801,787 | 5,912,115 | 19.0% | 0 | (237,754) | (123,146) |
| Bulk Warehouse | 42 | 11,500,520 | 2,494,409 | 2,494,409 | 2,117,188 | 18.4% | 0 | (165,189) | (165,189) |
| Whse/Distribution | 184 | 14,465,076 | 3,454,975 | 3,454,975 | 2,982,812 | 20.6% | 0 | (92,274) | 6,084 |
| Flex | 130 | 5,117,626 | 852,403 | 852,403 | 812,115 | 15.9% | 0 | 19,709 | 35,959 |
| Northwest | 72 | 9,314,878 | 1,279,179 | 1,279,179 | 1,273,429 | 13.7% | 0 | 0 | 78,661 |
| Bulk Warehouse | 10 | 4,341,053 | 351,397 | 351,397 | 351,397 | 8.1% | 0 | 0 | 0 |
| Whse/Distribution | 52 | 4,568,474 | 902,070 | 902,070 | 896,320 | 19.6% | 0 | 0 | 78,661 |
| Flex | 10 | 405,351 | 25,712 | 25,712 | 25,712 | 6.3% | 0 | 0 | 0 |
| Northeast | 248 | 14,973,050 | 1,723,470 | 1,715,049 | 1,502,768 | 10.0% | 8,421 | 53,061 | 204,989 |
| Bulk Warehouse | 8 | 3,524,138 | 278,842 | 278,842 | 202,160 | 5.7% | 0 | 49,500 | 49,500 |
| Whse/Distribution | 116 | 6,554,287 | 820,897 | 820,897 | 787,039 | 12.0% | 0 | (1,100) | 153,835 |
| Flex | 124 | 4,894,625 | 623,731 | 615,310 | 513,569 | 10.5% | 8,421 | 4,661 | 1,654 |
| DeSoto County | 128 | 34,761,383 | 2,443,212 | 2,346,624 | 1,954,209 | 5.6% | 96,588 | 80,000 | 691,819 |
| Bulk Warehouse | 52 | 27,542,603 | 1,282,043 | 1,185,455 | 893,783 | 3.2% | 96,588 | 0 | (113,027) |
| Whse/Distribution | 72 | 6,943,880 | 1,161,169 | 1,161,169 | 1,060,426 | 15.3% | 0 | 80,000 | 804,846 |
| Flex | 4 | 274,900 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 |
| Grand Total | 1,296 | 176,808,584 | 29,437,677 | 28,124,187 | 24,608,269 | 13.9% | 1,313,490 | 85,385 | 1,128,493 |

Industrial Key Deals Signed in the 2nd Quarter



The following are notable deals signed during the 2nd Quarter 2014. These include New Deals, Renewals, Expansions, and Relocations that may not have taken immediate occupancy.

| Tenant Name | Property Name | Specific Use | Leased SF | Market |
|----------------------------------|--------------------------------------|-----------------------|-----------|------------------|
| OLAM Cotton | 4219 Air Trans Rd | Whse/ Distribution | 336,000 | Southeast |
| Cargill | Memphis Depot Bldg 470 | Bulk Warehouse | 207,921 | Southwest |
| Cargill | Memphis Depot Bldg 629 | Whse/ Distribution | 109,994 | Southwest |
| Cargill | Memphis Depot Bldg 430 | Whse/ Distribution | 109,994 | Southwest |
| Seismic Audio Speakers, Inc. | 3980 Premier Ave | Whse/ Distribution | 98,313 | Southeast |
| Canamex | 10795 Ridgeway Industrial Dr | Whse/ Distribution | 91,000 | DeSoto County |
| MDS expanded | Airport Industrial Park | Whse/ Distribution | 71,482 | Southeast |
| Animal Health International, Inc | Distriplex Center Bldg 7 | Whse/ Distribution | 53,838 | Southeast |
| Continental Tire | Memphis International Airport Center | Whse/ Distribution | 50,736 | Southeast |
| Technicolor | 5000 E Raines Rd | Bulk Warehouse | 50,038 | Southeast |
| OHL expanded | Tuggle Distribution Center | Bulk Warehouse | 50,000 | Southeast |

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.

For more information, please contact :

Liza Creech Wohrman Regional Director [901] 481-9198 lcreech@xceligent.com

For Customer Care please call: (866) 350-2895

