

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate increased 0.5 percentage points from 5.5% in January 2016 to 6.0% in January 2017. The unemployment rate for Memphis, at 6.0%, was higher than the state of Tennessee, which reported 5.4%, while the US reported 4.8%. The Memphis metropolitan statistical area job creation totaled 5,000 over the past year. Industrial using jobs (manufacturing and Trade, Transportation and Utilities) gained 5,800 jobs during the past year.

Market Overview

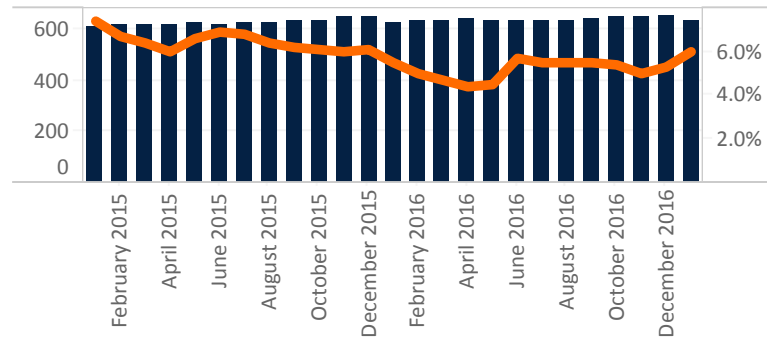
The Memphis industrial market recorded 1,882,449 square feet of positive absorption during 1Q 2017. Absorption was up from 1,789,999 sf recorded during 1Q 2016. The total vacancy rate has decreased from 8.8% in 1Q 2016 to 7.6% at the close of 1Q 2017. Direct vacancy rates decreased 1.2 percentage points during the same time period. Weighted average rent growth continued to improve during 1Q 2017. Weighted average asking rents in all classes increased by 0.5% recording \$2.67 per square foot (psf) at the close of 1Q 2017 compared to 1Q 2016.

Market Highlights

Absorption during the first quarter of 2017 was on par for another great year. Several occupied completions contributed to the positive start: Prologis' 716,080 sf BTS for Sephora and Hillwood's two speculative buildings on Hacks Cross, 157,166 sf that Autoliv will occupy, and the other delivering 69% occupied by Kenco. On the horizon, Eastgate Bldg 3 is scheduled to complete next quarter delivering nearly 950,000 sf of speculative development and Gateway Global IV where McCormick and Company, Inc leased the whole building. Other notable deals that didn't sway absorption include Mallory Alexander taking 200,000 sf at 4221 Pilot, XPO leasing 75,000 sf at Metro Industrial Park and LKQ inking 70,000 sf at Hickory Ridge Business Park.

Memphis Employment

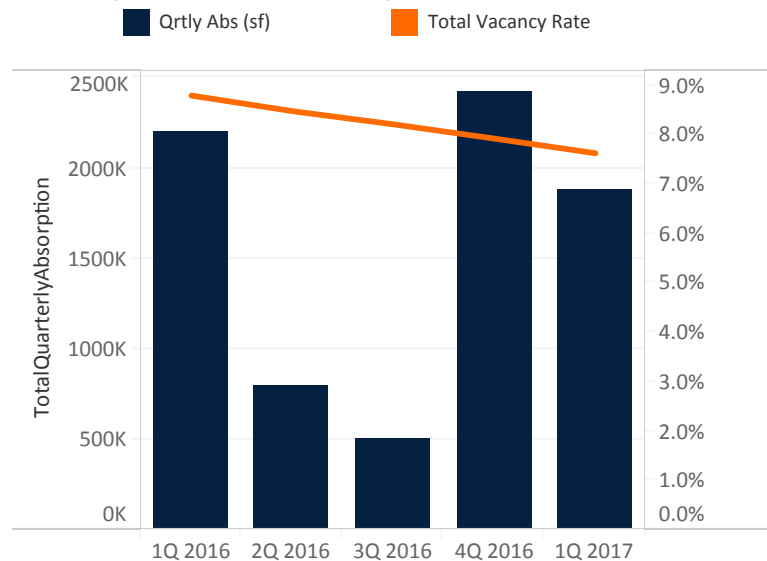
Source: BLS



Market Recap

Inventory (sf)	192,072,073
# of Bldgs	1,337
Qrtly Abs (sf)	1,882,449
Total Avail Rate	11.3%
Total Vacancy Rate	7.6%
U/C Inventory (sf)	1,563,220
Delivered (sf)	1,425,576
Weighted Average Asking Rate (NNN)	\$2.67

Absorption and Vacancy Rate



Overview by Specific Use (Total)

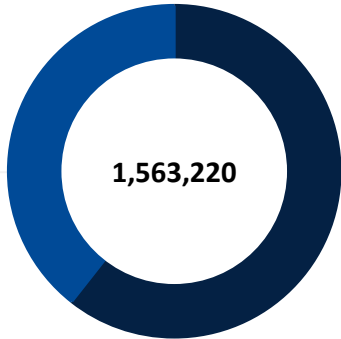
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	13,840,700	1,964,159	1,755,544	12.7%	36,806	36,806
Lt Ind	542,868	54,807	29,807	5.5%	0	0
Mfg	1,980,936	190,000	0	0.0%	0	0
Whse/Dist	175,707,569	19,577,891	12,862,376	7.3%	1,845,643	1,845,643
Overall	192,072,073	21,786,857	14,647,727	7.6%	1,882,449	1,882,449

Overview by Market (Total)

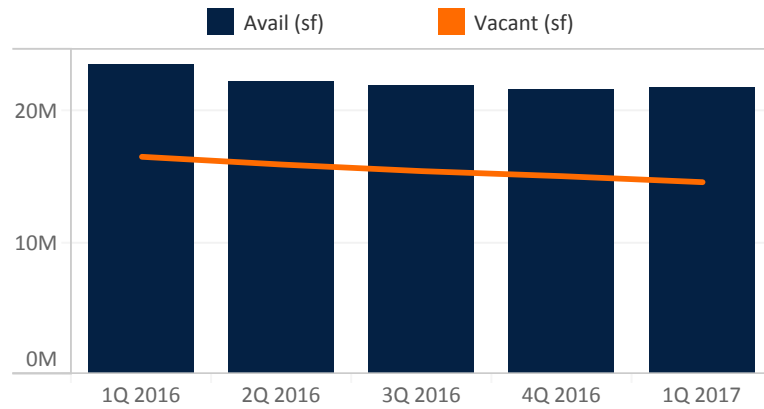
Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
DeSoto Cty	Flex	274,900	2,200	0	0.0%	0	0
	Whse/Dist	39,770,198	2,679,307	1,539,191	3.9%	2,065,717	2,065,717
Marshall Cty	Lt Ind	376,717	25,000	0	0.0%	0	0
	Mfg	1,980,936	190,000	0	0.0%	0	0
	Whse/Dist	5,461,787	0	0	0.0%	0	0
Northeast	Flex	4,975,525	568,390	510,318	10.3%	-46,875	-46,875
	Lt Ind	115,991	29,807	29,807	25.7%	0	0
	Whse/Dist	9,668,697	817,912	529,266	5.5%	-30,500	-30,500
Northwest	Flex	580,398	25,712	0	0.0%	0	0
	Whse/Dist	11,631,642	1,208,640	1,053,105	9.1%	0	0
Southeast	Flex	3,133,276	862,665	788,573	25.2%	23,133	23,133
	Whse/Dist	82,974,293	9,475,641	5,275,156	6.4%	75,585	75,585
Southwest	Flex	4,876,601	505,192	456,653	9.4%	60,548	60,548
	Lt Ind	50,160	0	0	0.0%	0	0
	Whse/Dist	26,200,952	5,396,391	4,465,658	17.0%	-265,159	-265,159
Overall		192,072,073	21,786,857	14,647,727	7.6%	1,882,449	1,882,449

Construction by Market

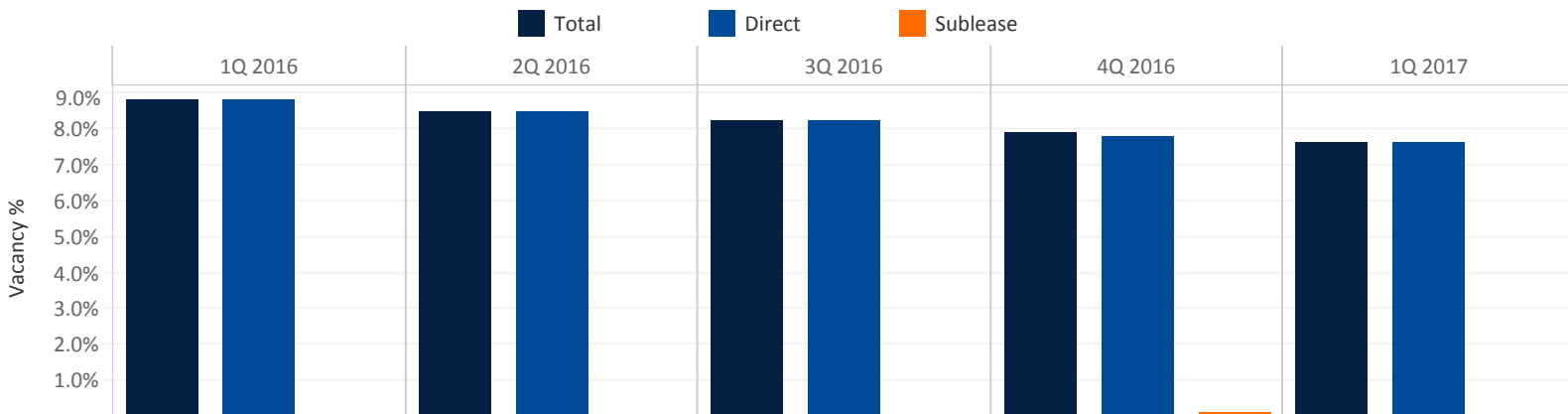
DeSoto Cty
Marshall Cty



Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	13,840,700	1,913,165	1,753,129	12.7%	39,221	39,221
Lt Ind	542,868	54,807	29,807	5.5%	0	0
Mfg	1,980,936	0	0	0.0%	0	0
Whse/Dist	175,707,569	18,484,876	12,850,376	7.3%	1,645,643	1,645,643
Overall	192,072,073	20,452,848	14,633,312	7.6%	1,684,864	1,684,864

Overview by Specific Use (Sublease)

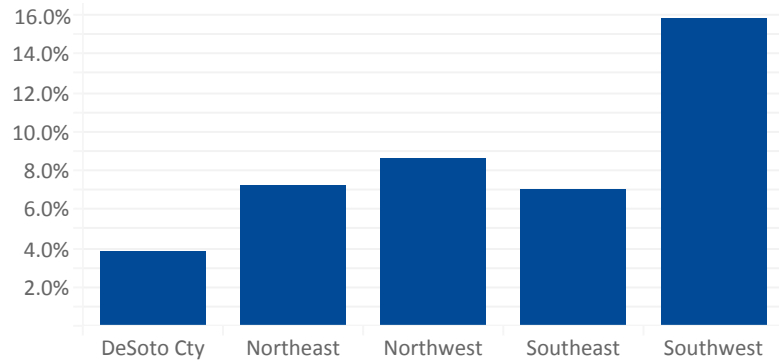
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	13,840,700	50,994	2,415	0.0%	-2,415	-2,415
Lt Ind	542,868	0	0	0.0%	0	0
Mfg	1,980,936	190,000	0	0.0%	0	0
Whse/Dist	175,707,569	1,093,015	12,000	0.0%	200,000	200,000
Overall	192,072,073	1,334,009	14,415	0.0%	197,585	197,585

Direct Vacancy Rates

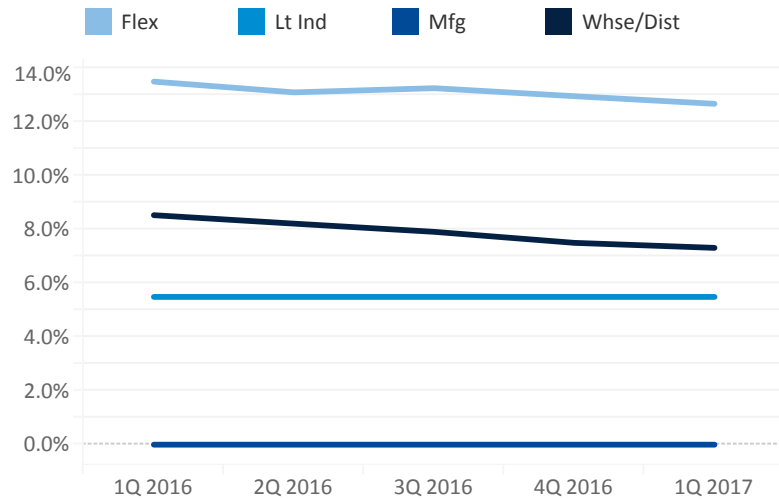
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
DeSoto Cty	Flex	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	9.3%	7.2%	6.5%	5.2%	3.9%
Marshall Cty	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.0%	0.0%	0.0%	0.0%	0.0%
Northeast	Flex	10.8%	10.3%	9.9%	9.3%	10.2%
	Lt Ind	25.7%	25.7%	25.7%	25.7%	25.7%
	Whse/Dist	6.3%	6.0%	5.5%	5.2%	5.5%
Northwest	Flex	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	8.9%	9.0%	9.0%	9.1%	9.1%
Southeast	Flex	26.7%	25.6%	25.7%	25.9%	25.2%
	Whse/Dist	5.9%	6.5%	6.5%	6.4%	6.3%
Southwest	Flex	10.2%	10.2%	11.0%	10.6%	9.4%
	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	17.3%	16.7%	15.9%	16.0%	17.0%
Overall		8.8%	8.5%	8.2%	7.8%	7.6%

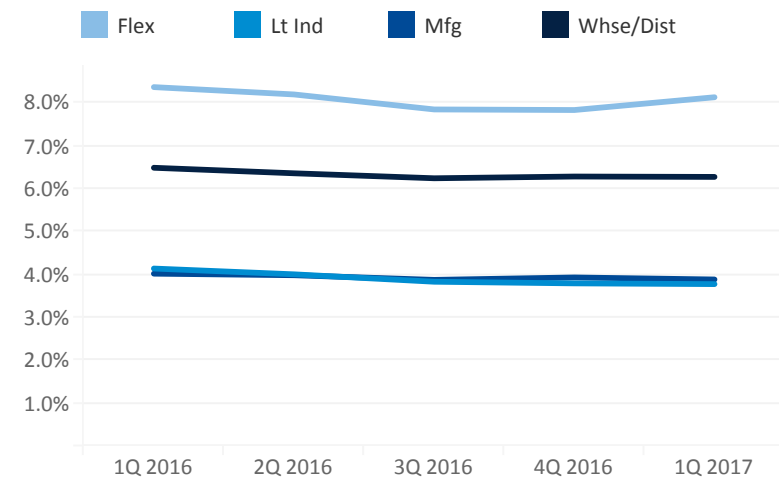
By Market



Memphis By Specific Use



National by Specific Use

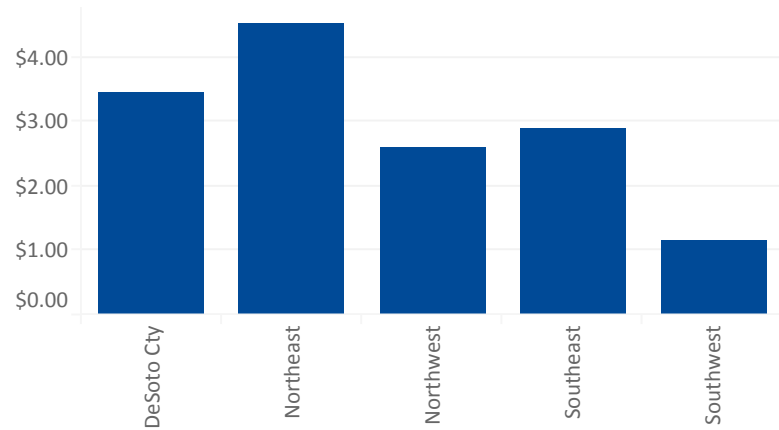


Direct Weighted Average Asking Rates (NNN)

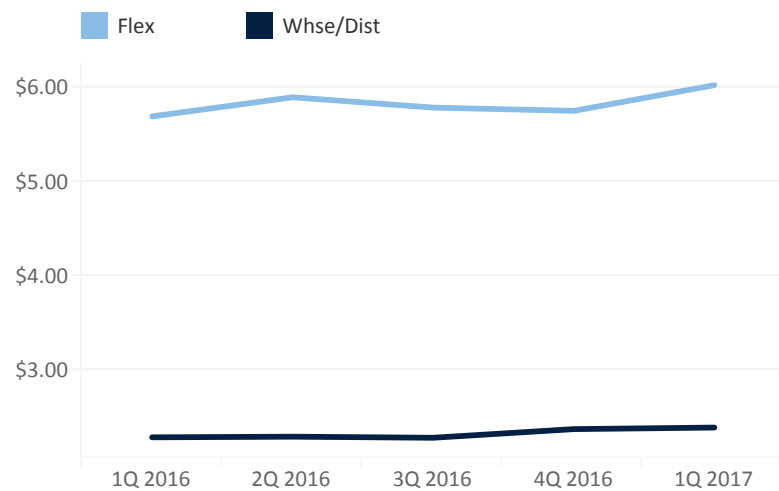
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
DeSoto Cty	Flex	-	-	-	-	-
	Whse/Dist	\$2.59	\$2.54	\$2.44	\$3.29	\$3.45
Marshall Cty	Lt Ind	-	-	-	-	-
	Mfg	-	-	-	-	-
	Whse/Dist	-	-	-	-	-
Northeast	Flex	\$7.73	\$7.93	\$8.00	\$7.73	\$7.65
	Lt Ind	-	-	-	-	-
	Whse/Dist	\$2.99	\$2.99	\$3.14	\$3.36	\$3.17
Northwest	Flex	-	-	-	-	-
	Whse/Dist	\$2.70	\$2.70	\$2.70	\$2.71	\$2.57
Southeast	Flex	\$4.93	\$5.09	\$5.04	\$5.07	\$5.84
	Whse/Dist	\$2.59	\$2.58	\$2.58	\$2.66	\$2.63
Southwest	Flex	\$3.31	\$3.24	\$3.22	\$3.59	\$3.64
	Lt Ind	-	-	-	-	-
	Whse/Dist	\$1.22	\$1.22	\$0.99	\$0.99	\$1.00
Overall		\$2.54	\$2.58	\$2.59	\$2.66	\$2.67

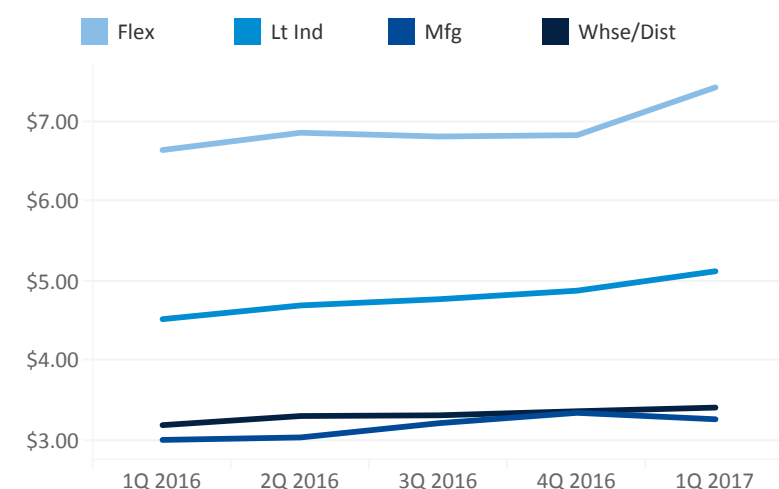
By Market



Memphis by Specific Use

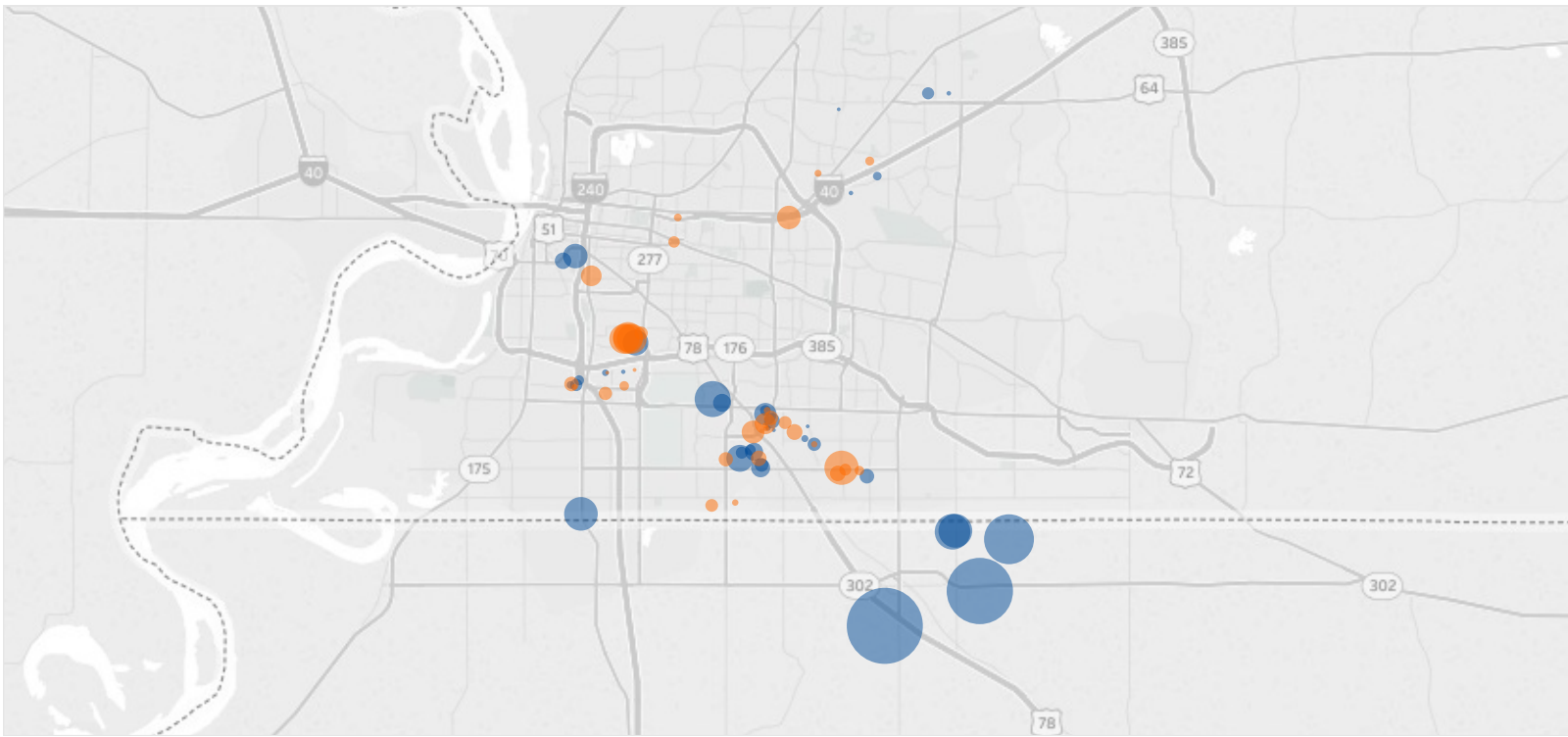


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Prologis Park DeSoto Bldg 2	Sephora BTS delivered	DeSoto Cty	Whse/Dist	716,080
Legacy Park Bldg 2	FedEx/Genco leased 543,671 sf	DeSoto Cty	Whse/Dist	543,671
Crossroads Dist Cntr Bldg H	Syncreon expanded by 307,800 sf	DeSoto Cty	Whse/Dist	307,800
MIAC - 3500 Air Center Cv	Kohler leased 160,000 sf	Southeast	Whse/Dist	160,000
Hacks Cross Logistics Center Bldg 3	Building delivered and Autoliv will occupy	DeSoto Cty	Whse/Dist	157,166
Hacks Cross Logistics Center Bldg 2	Building delivered and Kenco leased 141,000 sf	DeSoto Cty	Whse/Dist	141,000
5475 Elvis Presley Blvd	Building sold	Southwest	Whse/Dist	140,000
Airport Distribution Center Bldg 10	Whitesell Logistics leased 89,859 sf	Southeast	Whse/Dist	89,859

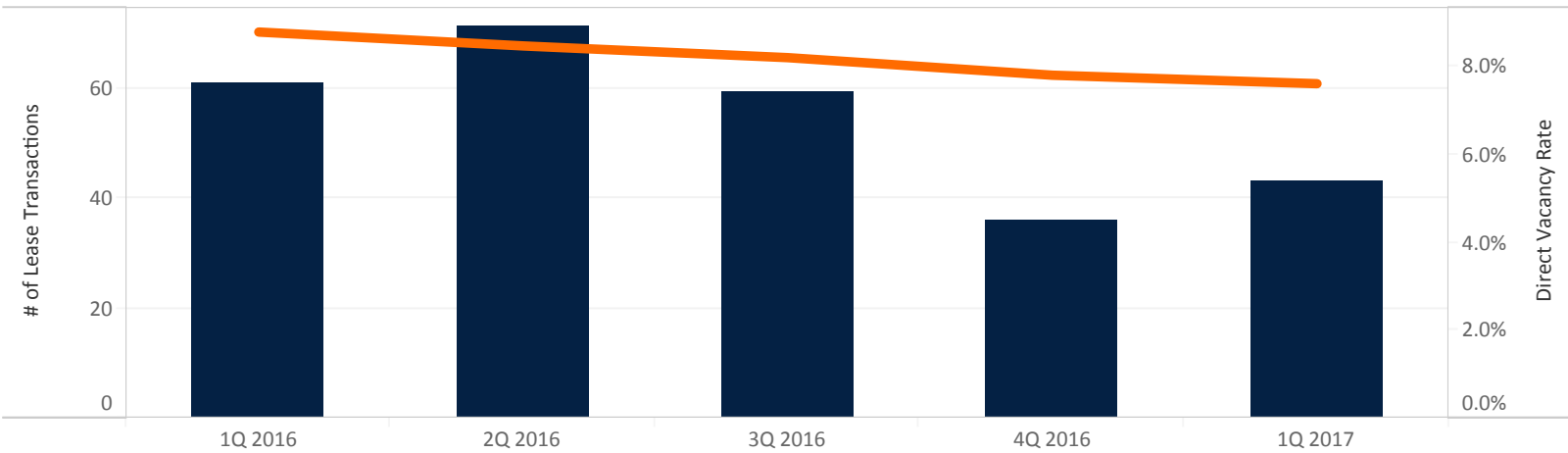
Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Memphis Depot, Bldg 450	Simos vacated	Southwest	Whse/Dist	-109,994
Memphis Depot, Bldg 549	Simos vacated	Southwest	Whse/Dist	-109,994
Memphis Depot, Bldg 550	Simos vacated	Southwest	Whse/Dist	-109,994
Memphis Depot, Bldg 650	Simos vacated	Southwest	Whse/Dist	-109,994
Shelby Distribution Park	USPS vacated 100,000 sf	Southeast	Whse/Dist	-100,000
4841-4847 Summer Ave	City Gear vacated 68,700 sf	Northeast	Flex	-68,700
Airport Distribution Center Bldg 2	IAP West, Inc. vacated 64,000 sf	Southeast	Whse/Dist	-64,000
Corporate Park Bldg 4	FedEx vacated 56,000 sf	Southeast	Whse/Dist	-56,000

Leasing Activity Trends

Direct Vacancy Rate Lease Transactions

Quarter Year

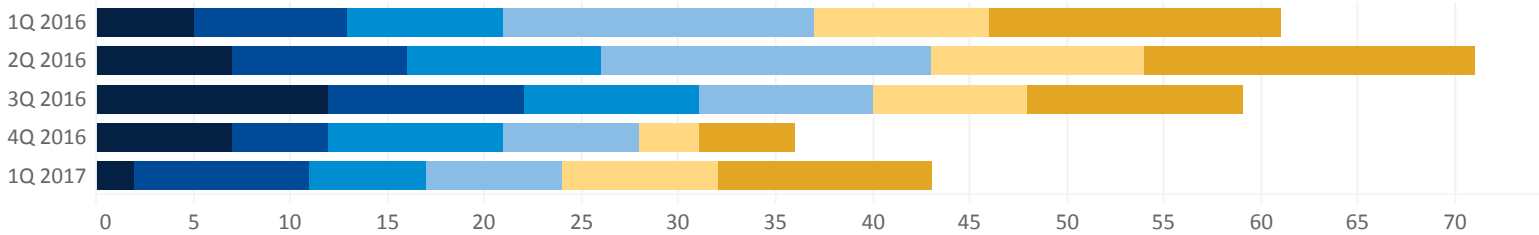


Leasing Activity (# of New Deals)

Size Range (sf)

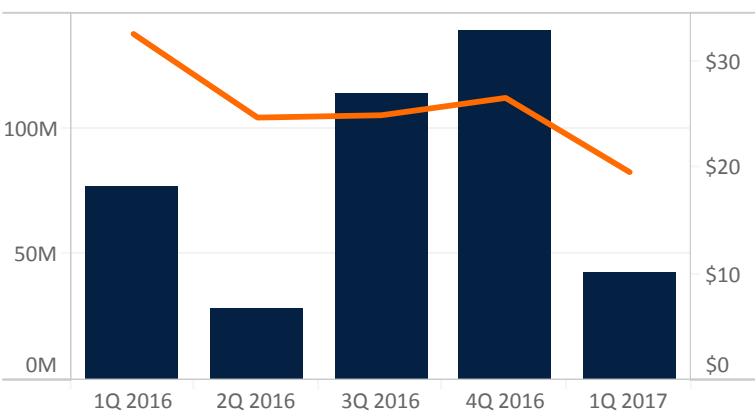
<2.5K 2.5K - 5K 5K - 10K 10K - 25K 25K - 50K >50K SF

Quarter Year



Sales Volume vs. Price/SF

Aggregate Sales Volume Avg Price/sf



Top Sales

Property	Sale Date	Buyer	Sale Price
Southeast Crossing Bldg	01/13/2017	DRA Advisors	\$6,643,835
Southeast Crossing	01/13/2017	G & I IX E Raines LLC	\$5,494,852
Senator Distribution Center	01/12/2017	G & I IX Senator LLC	\$5,118,996
Delp Distribution Center II	01/12/2017	G & I IX 4287 Delp LLC	\$3,358,580
John's Creek Business Center	01/13/2017	G & I IX 4105 S Mendenhall LLC	\$3,308,086

Terminology

Term	Definition
Direct Net Absorption	The net change in fiscally occupied space from quarter to quarter, expressed in sf.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 10,000 sf.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property.
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.
Total Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in sf.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Weighted Average Rents	The weighted average of all direct asking lease rents expressed as a NNN rental rate and weighted on total direct available square feet.

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.

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