

Memphis



Market Facts

4.2%

Unemployment Rate
Memphis MSA
January 2018 (BLS)

7.0%

Overall Vacancy Rate
-0.5 pp YOY

632,366 sf

Direct Net Absorption
Current Quarter
(Based on Occupancy)

\$2.83 PSF

Total Market
Asking Rental Rate
(Weighted Average)

Market Overview

The Memphis industrial sector sustained positive momentum through first quarter 2018. Despite a slight uptick from last quarter, the total market overall vacancy rate fell 0.5 percentage points (pp) year-over-year to 7.0%. Vacancy rates are expected to increase in the short term as more than 3 million square feet (msf) of speculative inventory delivers to the market through mid-year. Nonetheless, the market remains tight, with vacancy down 960 basis points (bps) from a cyclical high of 16.6% in 2011.

Tenant demand remained steady this quarter with 2.3 msf in deal volume. Milwaukee Tool took over Nortek's 701,706 square feet (sf) lease at Crossroads Distribution Center. New Cingular Wireless PCS, LLC inked a 430,130-sf deal at Eastgate Building 3 in DeSoto Trade Center and will move from 400,000 sf at 5155 Citation Dr later this year. FedEx Corporate Services leased 151,691 sf at the recently completed Legacy Park Building 4. Positive

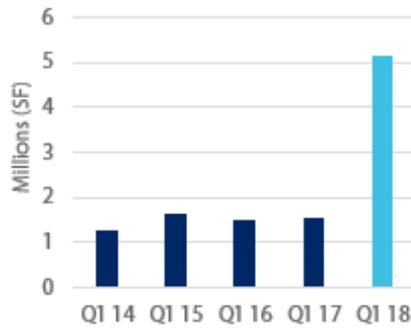
absorption exceeded 1 msf but was tempered by several pending vacancies, the largest of which was Wynit's move from 244,355 sf at Southpoint II.

With the completion of Legacy Park Building 4 (269,000 sf) and I-22 Logistics Park Building A (815,050 sf), a total of 1,087,050 sf was added to industrial inventory this quarter. More than 5.1 msf of new space is currently under construction, 62% of which is speculative product. Exeter Property Group recently revealed plans for a 613,667-sf speculative development in DeSoto County. Although the company has been present in the Memphis market as an investor for some time, Polk Lane Industrial Park marks its first development project in the area. This construction pipeline is a testament to the strength and appeal of the Memphis industrial market, attracting investors and developers due to its central location, multimodal transportation infrastructure, and robust market fundamentals.

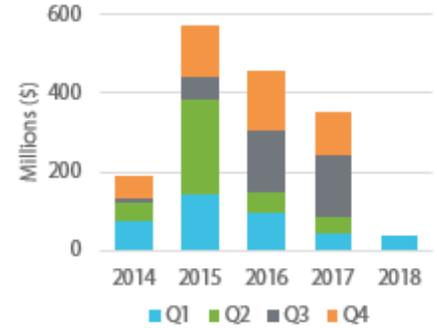
Overall Vacancy and Absorption



SF Under Construction



Sales Volume



Notable Lease Transactions

Tenant	Property	SF	Submarket	Type
Milwaukee Tool	Crossroads Distribution Center Building G	701,706	DeSoto County	New
New Cingular Wireless PCS, LLC	Eastgate Building 3	430,130	DeSoto County	New
Terumo Medical Corporation	Stateline Business Park Building E	172,188	DeSoto County	Renewal
Qwest Air Parts	Airport Distribution Center Building 10	160,000	Southeast	New
FedEx Corporate Services	Legacy Park Building 4	151,691	DeSoto County	New

Notable Sales Transactions

Property	Buyer	Seller	SF	Price	\$ PSF	Submarket
Belz TN Industrial/Dev Site Portfolio 2018	Olymbec	Belz Enterprises	287,603	\$4,200,000	\$15	Southwest
5815, 5841, and 5875 East Shelby Drive	Faropoint Investments	Westco Development	126,266	\$3,963,000	\$31	Southeast
FedEx Tech Connect	Infinity Nine at Collierville LLC	Philip R. Wood	126,213	\$14,000,000	\$111	Southeast

Market Trends to Watch



New Speculative Deliveries to Ease Limited Supply in a Tight Market



Robust Market Attracts New Investors, Developers



Last Mile Logistics to Increase Demand for Urban Warehouse Space



Rising Vacancy Rates suppress short-term rent growth

Statistics by Submarket

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Overall Net Absorption				Average Asking Rental Rates*		
					Current Quarter	YTD	Under Construction	YTD Completions	Flex	Whs/ Dist	All
Northeast	248	14,704,942	6.1%	6.1%	156,258	156,258	0	0	\$7.92	\$4.51	\$4.99
Southeast	484	86,105,996	6.4%	7.1%	-132,824	-132,824	615,440	0	\$7.79	\$2.56	\$3.09
Northwest	76	12,212,040	8.6%	8.6%	0	0	0	0	N/A	\$0.90	\$0.86
Southwest	352	30,115,754	8.7%	8.7%	363,464	363,464	0	0	\$2.87	\$1.06	\$1.26
DeSoto County	144	42,079,624	6.2%	6.9%	-60,708	-60,708	2,641,662	1,084,050	N/A	\$3.60	\$3.44
Marshall County <small>* includes Fayette County</small>	35	8,435,040	0.0%	0.0%	0	0	1,910,040	0	N/A	N/A	N/A
TOTAL	1,339	193,653,396	6.6%	7.0%	326,190	326,190	5,167,142	1,084,050	\$6.83	\$2.07	\$2.83

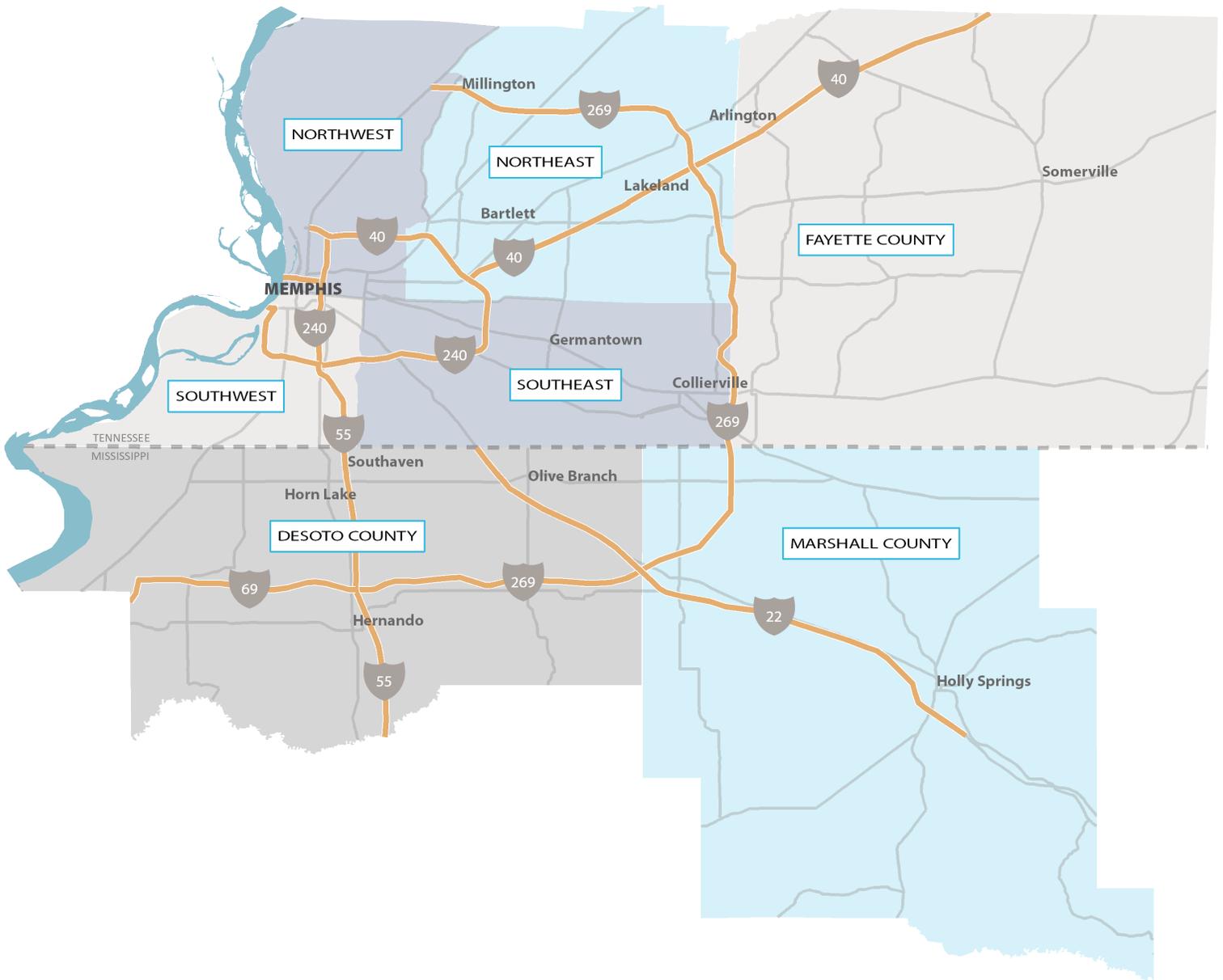
*Overall weighted average \$/psf

Statistics by Property Type

Submarket	Bldgs	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	Overall Net Absorption				Average Asking Rental Rates*
					Current Quarter	YTD	Under Construction	YTD Completions	
Flex	336	13,672,554	11.3%	11.4%	43,730	43,730	0	0	\$6.83
Warehouse	1,003	179,980,842	6.2%	6.7%	282,460	282,460	5,167,142	1,084,050	\$2.07
TOTAL	1,339	193,653,396	6.6%	7.0%	326,190	326,190	5,167,142	1,084,050	\$2.83

*Overall weighted average \$/psf

Memphis Industrial Submarkets



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