

ECONOMIC OVERVIEW

The Memphis economy, like most of the nation, moved along at a slow pace in 2011. However, there were several promising signs. Memphis unemployment hit a seven month low in November to 10% and is expected to drop even further. Overall, the local economy gained 10,259 net new jobs with a growth of 1.8% over 2010. Several large companies announced they were moving operations to Memphis including: Electrolux, Mitsubishi Electric, City Brewing Company and Great American Steamboat Company. Two companies, Electrolux and Great American Steamboat, leased office space in 2011 resulting in net leasing activity of more than 20,000 square feet (sf). The number of new jobs created by these companies is expected to be more than 2,500. The total economic investment is in excess of \$1BB. In July both Memphis Shelby County mayors announced a new group called E.D.G.E. (Economic Development Growth Engine) that aggregates several economic development programs under one authority. The goal of the program is to streamline economic development by creating a one-stop shop for any company looking to relocate or expand operations in the Memphis area.

POSITIVE JOBS GROWTH. POSITIVE ABSORPTION.

Along with local jobs growth the absorption of office space has increased. The market experienced 171,238 sf of direct absorption in 2011, a vast improvement over the negative 275,988 sf in 2010. Instead of being concentrated in one submarket, positive absorption occurred in several office submarkets across the city. The downtown submarket accounted for 142,386 sf (83% of total absorption) with Pinnacle Airlines, Electrolux, Great American Steamboat and Independent Bank all taking space in One Commerce Square. In the East submarket notable transactions included Education Realty Trust (27,000 sf) at 999 Shady Grove Rd, UBS (14,000 sf) and Evolve Mortgage (22,000 sf) at Triad III. In the Northeast submarket RAB took 46,000 sf at Goodlett Farms Business Campus.

RENTS AND THE CLASS A+ GAP

For the most part, rents have continued to decline throughout the market except for a few buildings that could be considered Class A plus. This set of six buildings located in the East submarket has continued to outperform the market in rents and occupancy. In fourth quarter average market rents were \$18.01 per square foot (psf) and Class A rents were \$22.07 psf,

MARKET HIGHLIGHTS

- Year-end absorption was positive at 171,238 square feet.
- East Class A vacancy is at 10.3%, down from its highest recorded level of 15.2% at the end of 2010.
- Sublease space is still hovering at record high levels of 559,331 sf, making up 13% of total available space. A majority of sublease space (62%) is located in the the East submarket.
- Rental rates continue their downward trend with an average market rate sitting just above \$18.00. East Class A rates have fallen to \$24.88, down from their record high of \$26.77 in 2008.

SIGNIFICANT LEASE TRANSACTIONS

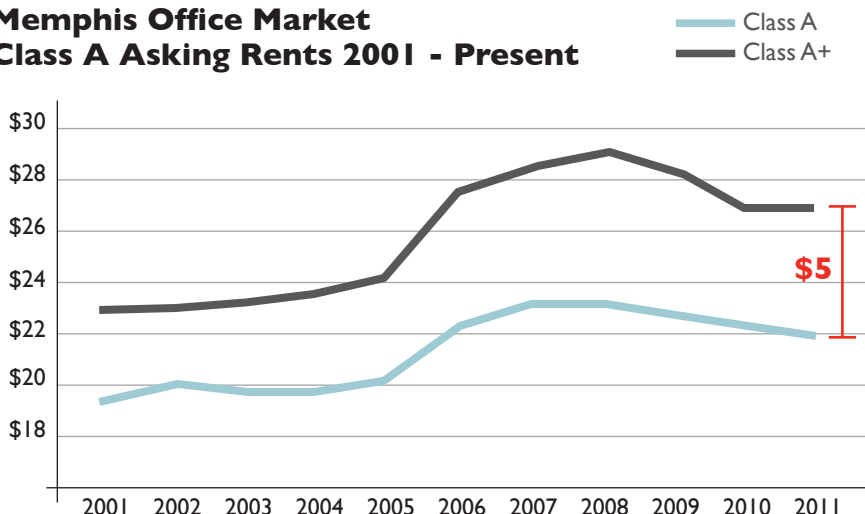
Duncan Williams (renewal & expansion)	
Forum I	21,924 sf
Electrolux (renewal)	
One Commerce Square	14,323 sf
HMP Insurance (renewal)	
Forum III	14,000 sf

Office Market AT A GLANCE

	Qtr	Yr
Direct Vacancy Rates	19.0%	▼
Available Space	3.7 msf	▼
Asking Rents	\$18.01	▼
Net Absorption YTD	171,238 sf	▲



Memphis Office Market Class A Asking Rents 2001 - Present



however the Class A plus set of buildings averaged \$27.08 psf. This nearly \$5 psf differential shows that there are a few buildings that are still in high demand, thus these few buildings can command top market rents even in the midst of a recession.

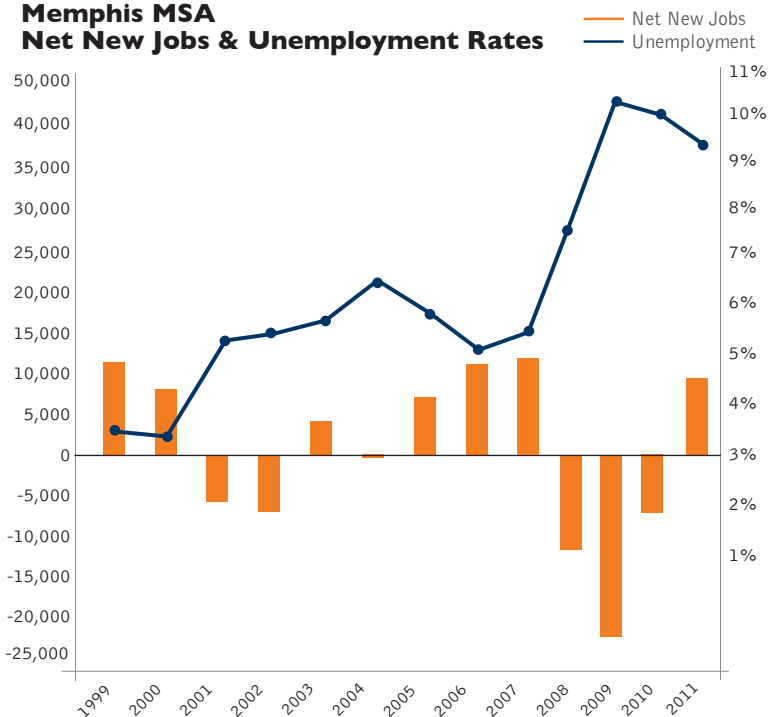
THE SUBLEASE SURPLUS

The market continues to see a surplus of sublease space, with levels still greater than those seen in 2002. Currently, there is more than 559,000 sf of sublease space being actively marketed. Real rent growth in the market will not be seen until this excess space is absorbed.

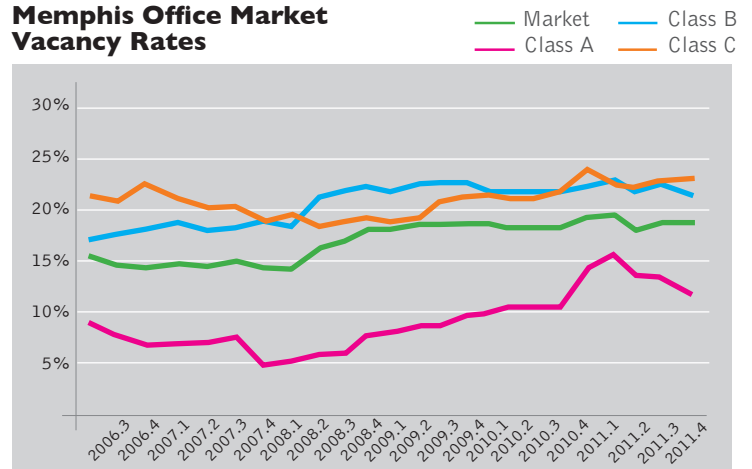
OUTLOOK

The Memphis office market is seeing some good activity, but is still feeling the pressures of a weak economy. The current climate remains favorable to tenants; however, due to current economic uncertainties, most are taking a wait and see approach to real estate decisions. Office tenants who are leasing space are taking advantage of competitive rents by moving within the market and/or decreasing space per employee as a means of cutting expenses. The record abundance of supply will continue to create further pressure on the market forcing landlords stay competitive to finalize transactions.

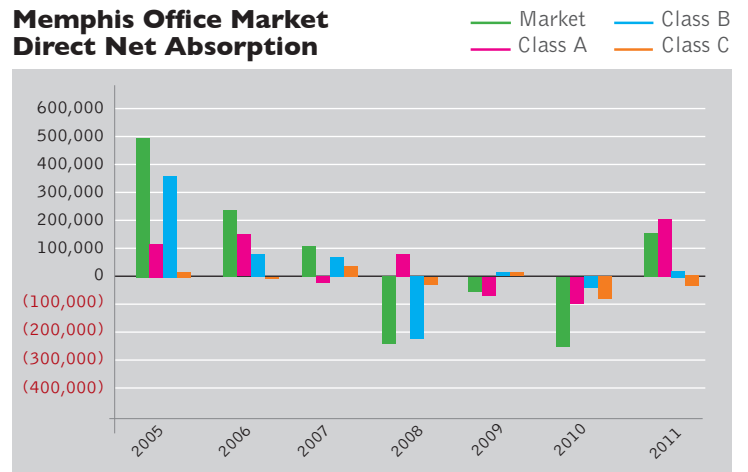
Memphis MSA Net New Jobs & Unemployment Rates



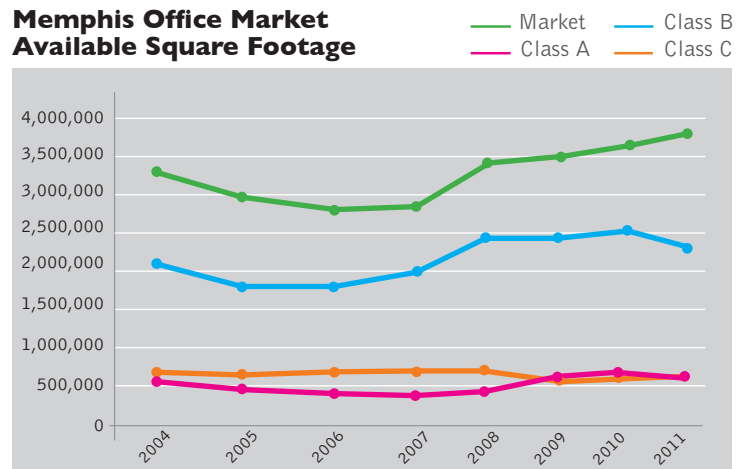
Memphis Office Market Vacancy Rates



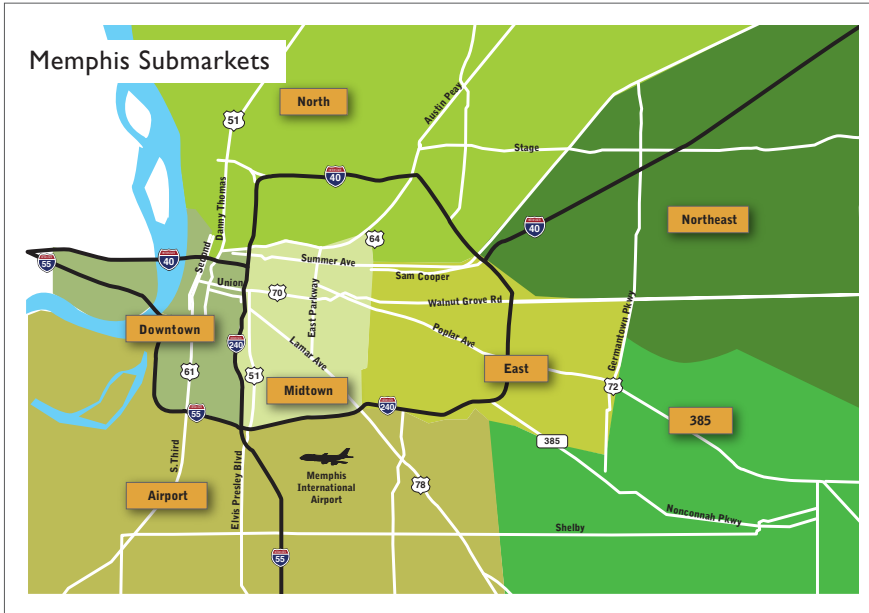
Memphis Office Market Direct Net Absorption



Memphis Office Market Available Square Footage



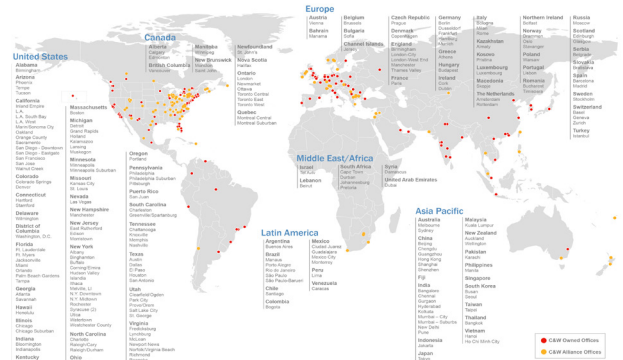
Market/ Submarket	Inventory Total SF	#of Buildings	Direct Vacancy	4Q11 Absorption	YTD Absorption	Under Construction	Direct Asking Rents
Memphis All	19,691,606	263	19.0%	71,697	171,238	0	\$18.01
North	224,254	9	15.0%	0	4,383	0	\$11.51
Northeast	1,762,790	28	11.5%	(9,777)	65,941	0	\$17.39
East	7,687,802	99	16.0%	(21,789)	75,508	0	\$20.62
385 Corridor	3,550,711	43	14.4%	(28,734)	(40,456)	0	\$18.22
Airport	1,808,942	33	41.8%	(1,180)	(38,841)	0	\$13.24
Downtown	3,322,108	23	19.8%	140,123	142,386	0	\$16.15
Midtown	1,334,999	28	26.2%	(6,964)	(37,683)	0	\$14.71
Class A	6,081,591	46	11.9%	174,657	203,052	0	\$22.07
Northeast	184,904	2	11.5%	0	(4,113)	0	\$20.50
East	2,458,799	17	10.3%	50,843	106,901	0	\$24.88
385 Corridor	2,765,456	24	11.8%	(38,128)	(60,824)	0	\$20.23
Downtown	672,432	3	15.4%	161,942	161,088	0	\$18.80
Class B	10,982,664	153	22.3%	(84,446)	1,780	0	\$17.15
North	120,033	5	15.4%	0	(492)	0	\$13.15
Northeast	1,420,413	24	12.6%	(9,777)	70,054	0	\$17.79
East	4,728,906	67	17.9%	(64,667)	(26,778)	0	\$18.61
385 Corridor	421,500	12	21.4%	10,114	15,101	0	\$16.83
Airport	1,350,219	22	49.4%	0	(47,505)	0	\$14.67
Downtown	2,010,716	13	17.6%	(9,224)	(6,007)	0	\$15.30
Midtown	930,877	10	29.4%	(10,892)	(2,593)	0	\$15.46
Class C	2,627,351	64	23.4%	(18,514)	(33,594)	0	\$12.50
North	104,221	4	14.4%	0	4,875	0	\$7.74
Northeast	157,473	2	1.4%	0	0	0	\$10.54
East	500,097	15	25.9%	(7,965)	(4,615)	0	\$16.57
385 Corridor	363,755	7	25.8%	(720)	5,267	0	\$11.61
Airport	458,723	11	19.2%	(1,180)	8,664	0	\$9.33
Downtown	638,960	7	32.8%	(12,595)	(12,695)	0	\$12.74
Midtown	404,122	18	18.8%	3,946	(35,090)	0	\$12.76



Our Alliance

Commercial Advisors is a member of the Cushman Wakefield Alliance. Cushman Wakefield is a worldwide commercial real estate firm that assists its clients in every stage of the real estate process, representing them in the buying, selling, financing, leasing, managing and valuing of assets, and providing strategic planning and research, portfolio analysis, site selection and space location, among many other advisory services.

234 Offices in 61 Countries



Our Company

Commercial Advisors Asset Services (CAAS) is a leading third-party leasing & management firm in Memphis. Our team collectively has more than 100 years experience in commercial real estate with an emphasis on leasing, marketing, property management, building maintenance & project accounting. CAAS commenced operations in 2003 and is considered to be a market leader with leasing and management assignments totaling more than 13 million square feet of office, retail and industrial properties.

We exclusively provide leasing and property management services to third-party owners of real estate portfolios and corporate real estate facilities. This core emphasis enables us to focus our time and efforts exclusively on our clients and their real estate assets. Since our sole focus is third-party representation, we do not have conflicts of interest as a developer or owner, or have a vested interest in representing the portfolio of a major owner that has competing product. CAAS has built a very talented team with experienced professionals.

We work on a team basis with 2-3 leasing agents assigned to each property. We implement a strategy utilizing the energy and enthusiasm of a junior broker to make cold calls coupled with the contacts and experience of an experienced leasing professional. Our property management team is comprised some of the most experienced and reputable professionals in Memphis. Dan Wahl is a CPM (Certified Property Manager) and has over 23 years in the business. Additionally, our team members include two project accountants and two maintenance personnel.

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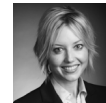
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