

# Market Research

INDUSTRIAL | CLASS A MARKET REPORT | YEAR-END 2009



## MARKET CONDITIONS

The Metro Louisville Industrial Market maintained a steady pace during the tumultuous economic environment of 2009. As neighboring cities experienced a precipitous drop in market activity, our market's fundamental strengths (location, accessibility and major employers notably UPS, GE, Humana and Ford) generated continued activity and stability. These factors enabled the Class A industrial market to achieve positive net absorption of 1,014,000 SF in 2009.

The expansion of existing operations in our community provided significant contributions to the success of the past year. Chegg.com leased 611,000 SF, PPG leased 245,000 SF, Southern States leased 225,000 SF, Owens Minor leased 200,000 SF and Derby City Warehousing leased 137,500 SF to name a few. The addition of a few new names to our community, such as Motorcycle Superstore (126,000 SF), Ohio Logistics (200,000 SF), CAT Logistics (191,000 SF), also contributed to an optimistic mindset.

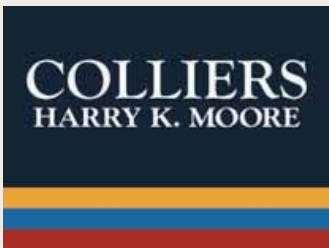
While this leasing activity grabbed the headlines, the hallmark of the 2009 market was the lease renewal. Landlords and tenants alike adapted to the "blend and extend" mentality in an effort for both sides to stabilize their real estate interests. To highlight the importance of these transactions for our market, consider that we tracked the completion of 15 renewals of 75,000 SF or greater representing a total footprint in excess of 3 million SF. When this volume is compared to the total Class A absorption of 3,300,000 SF, the significance of tenant retention in this economic environment is obvious. Retaining these tenants came at a price to landlords, and resulted in the compression of rental rates in every submarket in the form of base rate reductions, free rent or tenant improvement packages. Because of this collaborative effort, Metro Louisville did not suffer significant losses in the form of tenant departures. Coupled with the fact that we were not overdeveloped, as was the case in 2001, we are optimistic about the market in 2010. If current deals in the market place materialize as anticipated, we expect 1,275,000 SF will be absorbed in the first two quarters of 2010.

## MARKET INDICATORS

### 2009 MARKET RESULTS



649 Omega Parkway  
Leased by Chegg.com



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## NOTABLE 2009 LEASE TRANSACTIONS

TENANT	LOCATION	SIZE	LANDLORD
Chegg.com	Cedar Grove	611,000 SF	Pattillo
Best Buy	Cedar Grove III	600,000 SF	Main Street Realty
PPG	Louisville Industrial Center	245,000 SF	ING
Southern States	Riverport	225,000 SF	KTR
Ohio Logistics	GlobalPort	200,000 SF	Schmier
Owens Minor	GlobalPort	200,000 SF	Schmier
CAT Logistics	River Ridge	191,000 SF	Capstone
Motorcycle Superstore	College Industrial Park	126,000 SF	Exeter

## CLASS A ABSORPTION &amp; VACANCY RATES



- 1 - Bullitt County
- 2 - Riverport
- 3 - East
- 4 - South/Airport
- 5 - Southern Indiana

Bullitt County (SF)	Completed Construction	Vacncy	Net Absorption
8,444,565	0	22.26%	506,500 SF
Riverport (SF)	Completed Construction	Vacancy	Net Absorption
10,943,000	150,000	13.06%	211,513 SF
East (SF)	Completed Completed	Vacancy	Net Absorption
7,651,617	106,000	9.71%	68,436 SF
South/Airport (SF)	Completed Construction	Vacancy	Net Absorption
16,937,272	449,000	15.20%	(200,594 SF)
Southern Indiana (SF)	Completed Construction	Vacancy	Net Absorption
3,459,600	500,000	21.96%	428,753 SF
Total (SF)	Completed Construction	Vacancy	Net Absorption
47,436,054	1,205,000	15.55%	1,014,608

\* The Class A Market is comprised of buildings 30,000 SF and larger with a minimum clear height of 20 ft.

\*\* The Ford Plants and GE Appliance Park SF are not included in these figures.

\*\*\* Net absorption is defined as the change in occupied SF from one time period to the next.

\*\*\*\* Deal timing is determined by Tenant Occupancydate.

## DEVELOPMENT

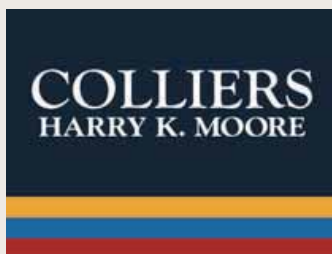
The impact of the economy and the unrest in the capital markets resonated through our development pipe line. The presence of institutional involvement in development projects vanished in 2009. Directives from Wall Street and portfolio managers required complete focus on existing vacancy and stabilization of portfolios.

The void created by this departure, presented an opportunity for private investors to assume their position. Main Street Realty acquired 170 acres in Bullitt County and fulfilled Best Buy's need for a 600,000 SF distribution center for its eCommerce operation.

In 2001, 45% of the market vacancy was created by speculative construction. The absence of new construction is enabling our market to stabilize without the need to digest new product. In fact, if Lauth's speculative facility (936,000 SF) secures a few tenants, we may see developers break ground in September or October of 2010 to address the void of facilities 400,000 SF or larger.



Best Buy  
Owned & Developed by  
Main Street Realty



[www.colliersharrykmoore.com](http://www.colliersharrykmoore.com)



GSI Commerce Solutions, Inc.  
Owned by ProLogis



GameStop, Corp.  
Owned by USAA Real Estate



Honeywell International  
Owned by Dixie Real Properties, LLC

## LARGEST CLASS A INDUSTRIAL LANDLORDS

OWNER	SIZE	NO. OF BUILDINGS	OCCUPANCY
ProLogis	5,267,330 SF	15	98%
Capstone Realty	3,380,000 SF	10	86%
Dixie Properties	2,297,380 SF	17	87%
USAA	2,164,400 SF	4	90%
DCT	1,931,500 SF	8	78%
Principal	1,322,900 SF	5	84%

\*includes space offered for sublease

## HISTORICAL SALES TRANSACTION VOLUME

	# of Deals	Total SF	Total \$	Avg. Price/SF
2009	0	0	0	0
2008	4	1,793,937	\$62,901,300	\$35.06
2007	13	5,824,612	\$241,662,008	\$41.49
2006	4	1,605,201	\$61,275,800	\$37.00
2005	1	154,000	\$5,850,000	\$37.99
2004	4	1,565,500	\$52,153,000	\$33.31
2003	2	1,101,000	\$35,582,400	\$35.21

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## 2010 MARKET INSIGHTS

- Vacancy Rates should decrease slightly
- Landlords will continue to provide aggressive economics to renew existing tenants
- If current activity converts to completed transactions, rents will begin to stabilize by year end
- Restructuring of debt will force institutional sales activity
- Speculative construction could resume by the 3rd Quarter
- Tenants need for short term leases will hinder Landlords ability to stabilize portfolios
- Free rent will be offered in lieu of Tenant Improvement Allowances