

Louisville Industrial MarketView

Q2 2014

CBRE Global Research and Consulting



MARKET STILL REMAINS TIGHT WITH CONSTRUCTION COMPLETIONS

The market results were very positive in Q2 2014. Despite several lease and sale transactions consummating in the quarter, the market vacancy increased slightly to 4.0%. This is due to several large construction completions that came on line during the period but offset somewhat by the net positive absorption.

Net absorption for the quarter was a positive 594,841 sq. ft. Among the deals contributing to the absorption were: a 218,000 sq. ft. lease by Tower Automotive at Park 480 in the Bullitt County submarket; a lease of 150,000 sq. ft. by Tenneco on Trey Street at River Ridge in the Southern Indiana submarket; a lease of 119,000 SF to a confidential client on Electron Drive in the Bluegrass submarket; a lease of 100,000 sq. ft. to Gilt Groupe on Global Distribution Drive in the Southside/Airport submarket; a lease of 59,000 sq. ft. to DCL on Tradeport Drive in the Riverport submarket; a lease of 54,000 sq. ft. to Graphtec on Bluegrass Parkway in the Bluegrass submarket; a lease of 45,000 sq. ft. to Heels.com on National Turnpike in the Southside/Airport submarket; and the sale of a 109,000 sq. ft. facility on Port Road in the Southern Indiana submarket.

Three investment sales were recorded in the second quarter. Becknell acquired two assets totaling over 400,000 sq. ft. from KTR on Global Drive in the Riverport submarket and Exeter acquired a 450,000 sq. ft. property from Pinchal on Patrol Road at River Ridge in the Southern Indiana submarket.

Market absorption was the strongest in the Southern Indiana, Bullitt

County, and Bluegrass submarkets. However, the vacancy rate increased 190 basis points (bps) in Bullitt County due to the new construction completions in that submarket. Both of the submarkets (Bluegrass and Northeast) on the east side of the Metro Louisville market are now below 1% vacancy.

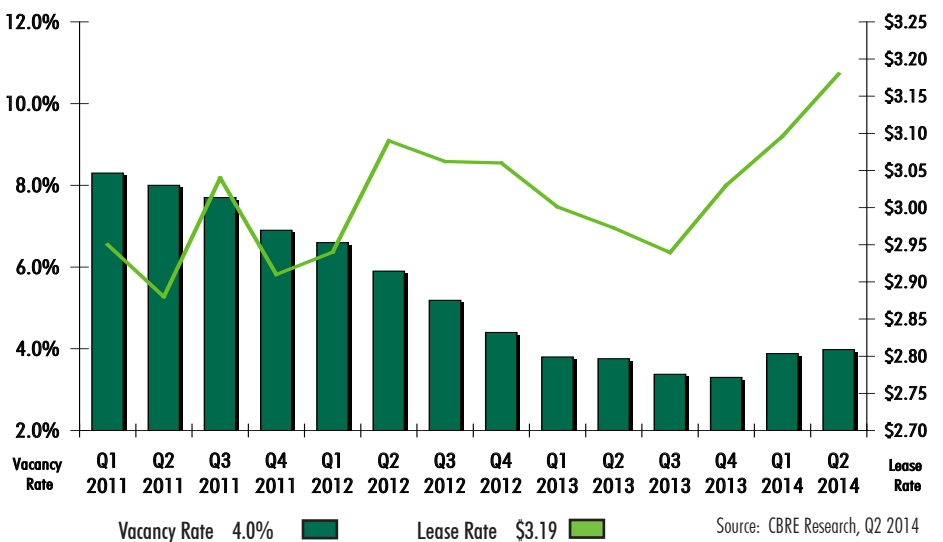
Construction was completed on several speculative projects in the Metro Louisville market. Two of the largest construction projects were in the Bullitt County submarket. The first was a 631,336 sq. ft. project "LogistiCenter I-65" by Dermody Properties at Highway 245, and the second was a 500,918 sq. ft. project by VanTrust at Park 480. In the Southside/Airport, Clarion completed construction on a 230,000 sq. ft. building and a 406,640 sq. ft. building that were mostly pre-leased. At River Ridge in the Southern Indiana submarket, construction was completed on an 80,000 sq. ft. build to suit by American Fuji Seal. The only new construction start in Q2 2014 is the 315,147 sq. ft. speculative project by Dermody Properties at the Renaissance Zone in the Southside/Airport submarket. This is Dermody's second speculative project in the Metro Louisville market.

We expect that the current market activity, if sustainable, will result in positive net absorption in the near future. Notwithstanding the recent speculative construction completions, the market vacancy grew only 0.1% to 4% which is still in the range of what one might consider an undersupplied market. With the number of prospective tenants looking for space, we anticipate that the overall vacancy rate will not increase measurably anytime soon.

Hot Topics

- Dermody Properties broke ground on a 315,147 sq. ft. speculative building in the Southside/Airport submarket.
- Exeter Property Group purchased Pinchal's 450,000 sq. ft. building at River Ridge Commerce Park in the Southern Indiana submarket.
- Becknell Industrial, LLC purchased two properties from KTR totaling 402,750 sq. ft.
- Tower Automotive leased 218,549 sq. ft. at Park 480 in the Bullitt County submarket.

Figure 1: Vacancy Rate vs. Lease Rate



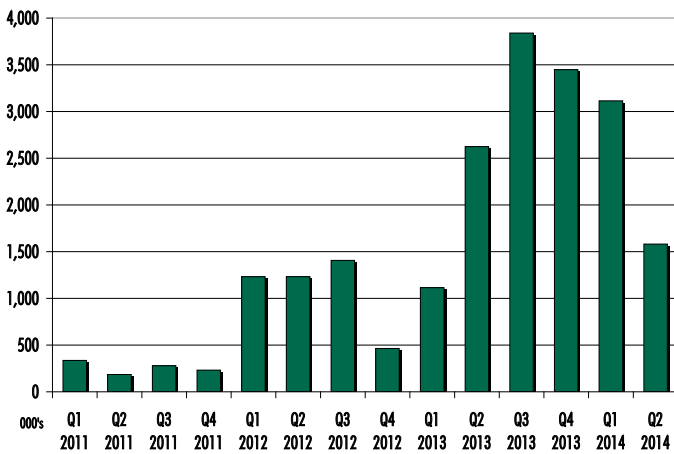
MARKET STATISTICS

BUILDINGS 100,000 SF AND OVER

| Market | Rentable Area sq. ft. | Availability Rate % | Vacancy Rate % | Net Absorption sq. ft. | Shadow Sublease sq. ft. | Under Construction sq. ft. | Average Asking Lease Rate - sq. ft. per YR |
|-------------------|-----------------------|---------------------|----------------|------------------------|-------------------------|----------------------------|--|
| Bluegrass | 2,926,300 | 0.4% | 0.4% | 226,340 | 0 | 325,000 | \$2.50 |
| Bullitt County | 11,582,512 | 17.0% | 9.9% | 218,549 | 447,750 | 0 | \$3.44 |
| Downtown* | 16,485,260 | 5.3% | 5.3% | 0 | 0 | 0 | \$2.24 |
| Northeast | 7,540,288 | 2.1% | 0.5% | 24,150 | 0 | 0 | \$4.15 |
| Riverport | 12,854,607 | 7.4% | 4.1% | (15,400) | 0 | 0 | \$3.35 |
| Southern Indiana | 15,290,111 | 2.3% | 1.5% | 259,824 | 0 | 768,000 | \$3.77 |
| Southside/Airport | 39,374,912 | 6.0% | 3.6% | (118,622) | 193,900 | 488,397 | \$3.14 |
| Louisville | 106,053,990 | 6.3% | 4.0% | 594,841 | 641,650 | 1,581,397 | \$3.19 |

*Some buildings have been removed from our statistical data due to classification conditions that no longer meet our requirements.

Figure 2: Buildings Under Construction 1,581,397 sq. ft.

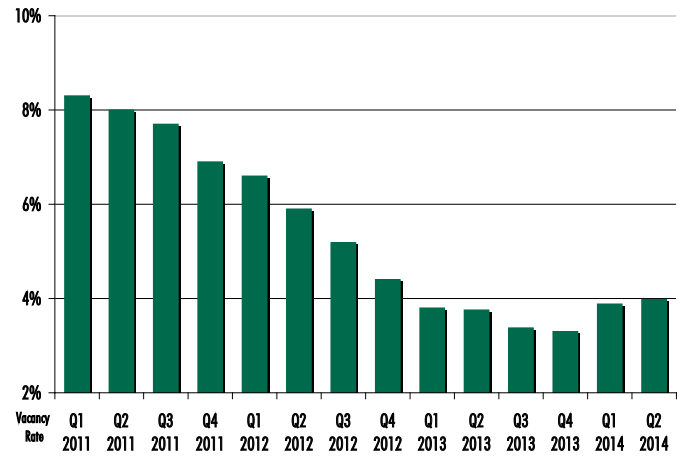


Source: CBRE Research, Q2 2014

BUILDINGS UNDER CONSTRUCTION: (* new starts)

| Submarket | Project | Square Feet |
|-------------------|-----------------------------|------------------|
| Southside/Airport | Jennings Crossing Tract III | 173,250 sq. ft. |
| Southern Indiana | Autoneum BTS | 300,000 sq. ft. |
| Southside/Airport | LogistiCenter Louisville | 315,147 sq. ft.* |
| Bluegrass | Rev-a-Shelf | 325,000 sq. ft. |
| Southern Indiana | Crossdock River Ridge 800 | 468,000 sq. ft. |

Figure 3: Vacancy Rate 4.0%

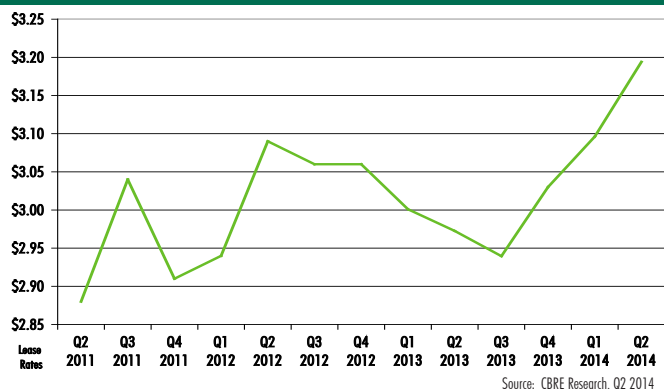


Source: CBRE Research, Q2 2014

VACANCY RATE

The vacancy rate in the Metro Louisville market increased narrowly to 4.0% this quarter. This was expected with the amount of speculative construction completed in Q2 2014. The largest change occurred in the Bluegrass submarket with a decrease of 770 bps from 8.1% to 0.4%, where the impact was less impactful since that submarket only accounts for 2.8% of the overall Metro Louisville market. The Bullitt County and Southside/Airport submarkets both saw increases of 190 bps from 8.0% to 9.9% and 1.7% to 3.6% respectively, with the delivery of new construction completions. The Southern Indiana submarket decreased by 170 bps to report 1.5% and will likely remain low with some of the current construction consisting of build-to-suit projects.

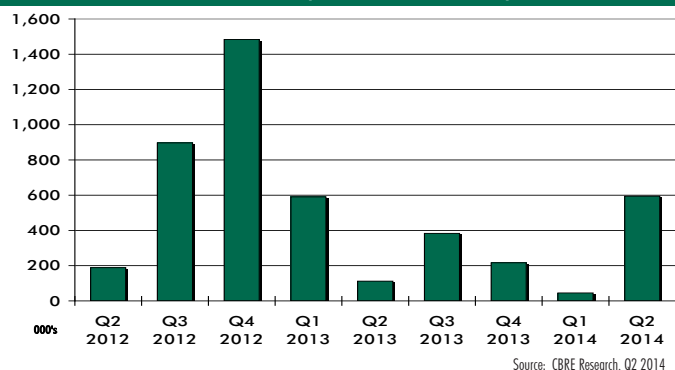
Figure 4: Average Asking Lease Rate \$3.19 per sq. ft.



RENTAL RATES

The average asking lease rate jumped \$0.09 to \$3.19 per sq. ft. this quarter. The largest increase of \$0.28 from \$2.22 per sq. ft. to \$2.50 per sq. ft. occurred in the Bluegrass submarket. The Southern Indiana submarket reported a decrease of \$0.31 from \$4.08 per sq. ft. to \$3.77 per sq. ft., the Southside/Airport submarket fell by \$0.06 from \$3.20 per sq. ft. to \$3.14 per sq. ft. while the Riverport submarket reported an increase of \$0.19 from \$3.16 per sq. ft. to \$3.35 per sq. ft., and the Northeast submarket climbed \$0.21 from \$3.94 per sq. ft. to \$4.15 per sq. ft. The addition of the new speculative space at a higher rental rate and the continued tight market vacancy continues to push the overall market rate higher.

Figure 5: Positive Net Absorption 594,841 sq. ft.

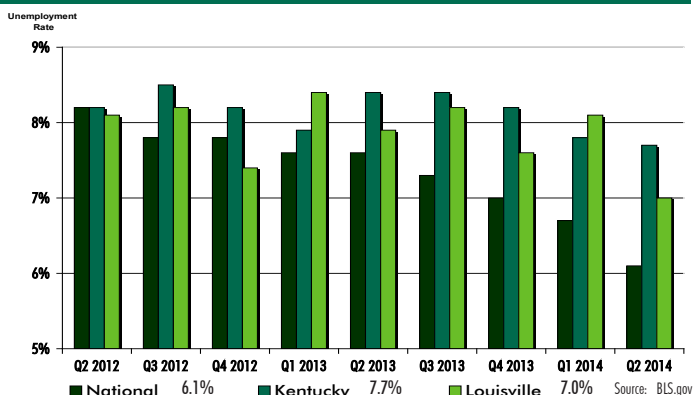


ABSORPTION

The positive net absorption for this quarter was 594,841 sq. ft. The Southern Indiana submarket experienced the largest amount of positive net absorption with 259,824 sq. ft. and both the Bluegrass and Bullitt County submarkets also experienced over 200,000 sq. ft. positive net absorption. The Southside/Airport submarket experienced negative net absorption of 118,622 sq. ft.

The positive net absorption in Q2 2014 sent the year to date figures to 640,373 sq. ft. for the first half of the year. This is slightly behind the 702,548 sq. ft. reported for the same period last year.

Figure 6: Unemployment



UNEMPLOYMENT

The second quarter finished with the national unemployment rate at 6.1%, which was down 60 bps from the previous quarter and represents a drop of 150 bps over the past year.

Kentucky reported a slight decrease in unemployment rate to 7.7%, which amounted to 10 bps from the previous quarter. Even though there continues to be improvement, the state remains higher than the national, metropolitan, and our bordering states unemployment rates, which are reporting between 5.5% and 6.4%.

The Louisville-Jefferson County MSA recorded a 7.0% unemployment rate, which was a decrease of 110 bps from the 8.1% reported last quarter and represents a decrease of 90 bps over the past year.

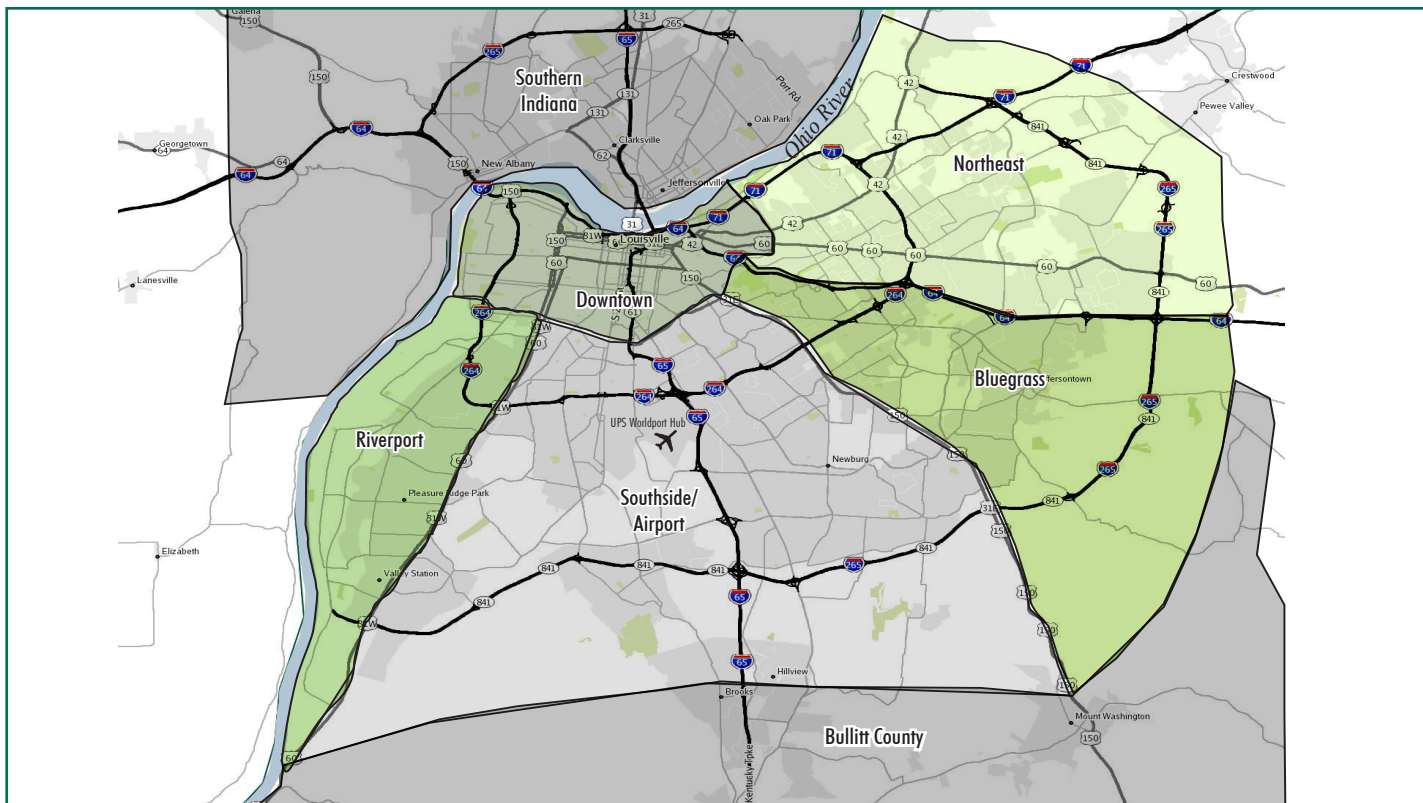
Top Deals by Size:

| Size (Sq. Ft.) | Tenant/Buyer | Submarket |
|----------------|--------------------------|-------------------|
| 450,000** ^ | Exeter Property Group | Southern Indiana |
| 402,750** ^ | Becknell Industrial, LLC | Riverport |
| 218,549* ^ | Tower Automotive | Bullitt County |
| 150,000* | Tenneco Inc. | Southern Indiana |
| 119,000* ^ | Confidential | Bluegrass |
| 109,824** ^ | Port of Indiana | Southern Indiana |
| 100,000* ^ | Gilt Groupe, Inc. | Southside/Airport |

* Lease Transactions

**Sale Transactions

^ CBRE | Louisville Transactions



For more information about this MarketView, please contact: CBRE | Louisville
 6060 Dutchmans Lane, Suite 100
 Louisville, KY 40205
 t: +1 502 429 6700
 f: +1 502 423 1849
 www.cbrelouisville.com

INDUSTRIAL SERVICES GROUP

Kevin A. Grove, CCIM
 Senior Vice President/Partner

Doug Butcher
 First Vice President

Tom S. Sims, CCIM
 Vice President

RESEARCH

Mickey Semegen
 Research Coordinator

t: +1 502 412 7615
 e: kevin.grove@cbre-louisville.com

t: +1 502 412 7641
 e: doug.butcher@cbre-louisville.com

t: +1 502 412 7624
 e: tom.sims@cbre-louisville.com

t: +1 502 412 7635
 e: mickey.semegen@cbre-louisville.com

+FOLLOW US



GLOBAL RESEARCH AND CONSULTING

This report was prepared by the CBRE U.S. Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

DISCLAIMER

Information contained herein, including projections, has been obtained from sources believed to be 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 confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.