

MARKETBEAT LOUISVILLE

Office Q2 2021



CUSHMAN &
WAKEFIELD

Commercial Kentucky

15.5%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-242K

YTD Net Absorption, SF



\$18.18

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

646.8K

Louisville
Employment

YoY
Chg



12-Mo.
Forecast



4.2%

Louisville
Unemployment Rate



5.9%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The U.S. unemployment rate has dropped slightly from 6.0% during the first quarter to 5.9% in the second quarter according to the Bureau of Labor Statistics. Additionally, job growth increased by 850,000 people during June 2021. Revised first quarter GDP growth, according to the Bureau of Economic Analysis, reflected an increase of 6.4% with experts predicting an increase of up to 9.0% GDP growth during the second quarter of 2021.

The unemployment rate in Louisville decreased from 5.1% to 4.2% during the second quarter of 2021, 60-basis points (bps) higher than the pre-pandemic unemployment rate. The employment level in Louisville increased by 6,800 jobs from the first quarter to the second quarter and is up almost 100,000 from this point last year.

CBD

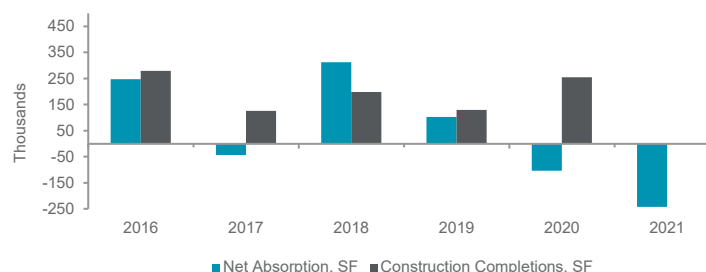
Leasing activity in the Central Business District (CBD) remained slow during the second quarter of 2021 with only 6,937 square feet (sf) of leasing activity recorded during the quarter, which brings the year-to-date (YTD) total up to 9,737 sf. This marks the fourth straight quarter CBD leasing activity has been less than 10,000 sf. Despite the lack of leasing activity, there were two significant redevelopment sales in the CBD during the second quarter. Two different out-of-market investors/developers, Newstream Cos. and 29th Street Capital, purchased the Kentucky Home Life Building and Artspace Building respectively. Both companies plan to convert the buildings into mixed-use space or apartments.

Overall net absorption for the second quarter was positive 1,486 sf which brings the YTD total to negative 89,139 sf. Class A overall net absorption was positive 9,917 sf while Class B was negative 8,431 sf.

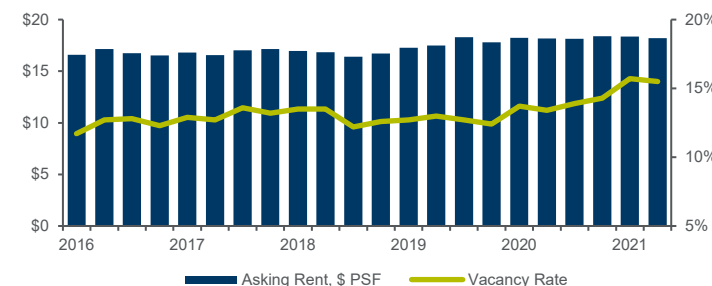
The vacancy rate in the CBD decreased 60 bps from 19.7% to 19.1% during the second quarter. Compared to the second quarter of 2020, the overall vacancy rate in the CBD has increased 120 bps. The Class A vacancy rate decreased from 23.5% to 23.1% while the Class B vacancy rate decreased 80 bps from 17.0% to 16.2%.

CBD overall average asking rents decreased from \$16.72 per square foot (psf) to \$16.65 psf during the second quarter. Class A CBD overall average asking rents remained level at \$18.51 psf during the quarter while Class B CBD overall average asking rents decreased from \$14.83 psf to \$14.59 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





Suburban

The suburban leasing activity finished the second quarter at 78,400 sf, which brings the YTD total to 157,958 sf. Suburban Class A leasing activity was 65,483 sf while Class B was 12,317 sf. The YTD totals for Class A and Class B are 124,652 sf and 32,706 sf respectively. The Hurstbourne/Eastpoint submarket recorded 66,859 sf of leasing activity during the second quarter which accounted for 85% of all suburban leasing activity during the quarter.

Overall net absorption for the suburban office market ended the second quarter at negative 47,352 sf marking the fourth consecutive quarter of negative absorption. The YTD total for overall net absorption in the Suburban market fell to negative 153,307 sf. Overall net absorption for the Class A suburban market was negative 31,371 sf while the Class B suburban market experienced 10,027 sf of negative absorption during the second quarter. The Northeast and South Central submarkets were the only submarkets to experience positive net absorption during the second quarter with positive 611 sf and positive 14,361 sf respectively.

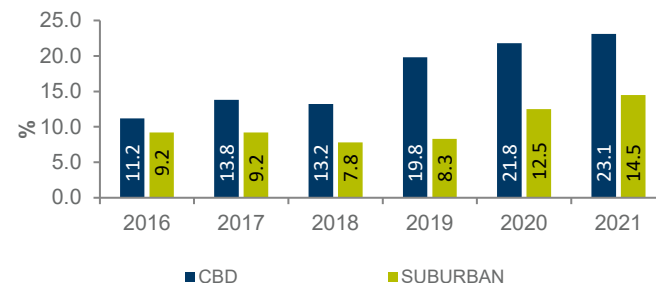
The overall suburban vacancy rate increased 20 bps from 12.6% to 12.8%, matching the highest suburban vacancy rate recorded since the third quarter of 2013. Compared to this time last year, the suburban vacancy rate has increased 280 bps. The Class A vacancy rate stayed flat at 14.5% while the Class B vacancy rate increased from 10.6% to 10.8%.

Overall average asking rents in the suburbs decreased from \$20.20 psf to \$19.84 psf. Class A suburban average asking rents decreased from \$22.44 psf to \$21.85 psf while Class B suburban average asking rents increased from \$16.76 psf to \$16.92 psf. The Northeast and Hurstbourne/Eastpoint submarkets continue to have the highest average asking rents with \$22.95 psf and \$21.69 psf respectively.

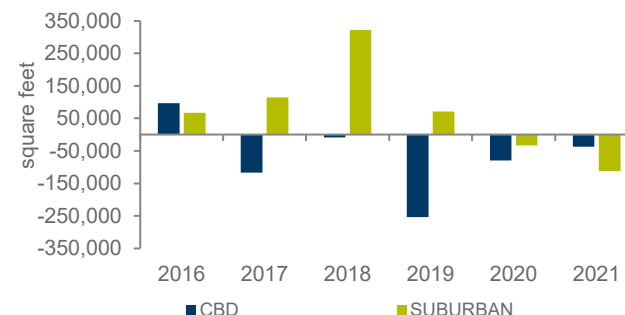
Outlook

- Leasing activity in the CBD will continue to remain slow unless landlords begin to offer more concessions to potential tenants and/or lower the asking rental rates.
- Although overall net absorption has not been as negative as previous quarters, more negative absorption may occur during the second half of the year as tenants with leases expiring at the end of 2021 will be making decisions on their future office needs as the year progresses.
- As COVID restrictions have been lifted, full capacity events such as Louisville Bats baseball games and Louisville City and Racing Louisville soccer matches are helping restore some of energy and vitality to the CBD which should continue as more major employers begin to bring people back into the office.

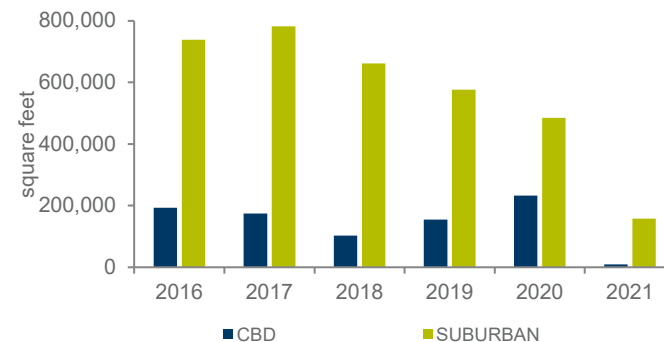
Class A Overall Vacancy Rates – CBD & Suburban



Class A YTD Overall Net Absorption – CBD & Suburban



YTD Leasing Activity – CBD & Suburban





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	8,928,580	108,196	1,599,225	19.1%	1,486	-89,139	9,737	0	\$16.65	\$18.51
SUBURBAN	11,807,988	91,789	1,419,899	12.8%	-47,352	-153,307	157,958	48,000	\$19.84	\$21.85
Old Louisville	399,940	0	50,356	12.6%	0	5,868	5,868	0	\$18.00	N/A
Hurstbourne / Eastpoint	5,026,318	57,701	673,578	14.5%	-35,687	-109,956	94,050	48,000	\$21.69	\$22.19
Plainview / Middletown	1,457,721	0	268,336	18.4%	-22,816	-37,497	2,523	0	\$17.68	\$21.00
Southeast	1,182,652	10,849	61,701	6.1%	-3,140	22,744	27,760	0	\$18.02	\$19.43
Northeast	896,861	20,297	103,181	13.8%	611	-5,452	4,825	0	\$22.95	\$23.07
St. Matthews	1,402,562	2,942	166,027	12.0%	-681	-42,180	22,932	0	\$16.35	\$18.67
South Central	1,441,934	0	96,720	6.7%	14,361	13,166	0	0	\$16.20	N/A
LOUISVILLE TOTALS	20,736,568	199,985	3,019,124	15.5%	-45,866	-242,446	167,695	48,000	\$18.18	\$20.23

*Rental rates reflect full service asking

**Does not include renewals

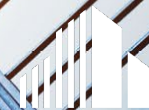
	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	9,980,470	119,067	1,657,822	17.8%	-21,454	-149,265	130,031	0	\$20.37	\$20.23
Class B	10,103,301	80,918	1,286,059	13.5%	-18,458	-85,977	37,064	48,000	\$15.68	\$15.58
Class C	652,797	0	75,243	11.5%	-5,954	-7,204	600	0	\$11.88	\$11.88

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1660 Lyndon Farm Court	Hurstbourne/Eastpoint	GSA	38,958	Direct
9900 Corporate Campus Drive	Hurstbourne/Eastpoint	Aetna	16,239	Renewal
303 North Hurstbourne Parkway	Hurstbourne/Eastpoint	PSST	4,719	Sublease

KEY SALE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
239 South Fifth Street	CBD	Madison Properties / Newstream Cos.	205,000	\$15M / \$73.17
325 West Broadway	CBD	FFTA Properties / 29 th Street Capital	55,437	\$1.4M / \$24.80

**OFFICE SUBMARKETS**

Central Business District (CBD): Extends from River Rd. to York St. and from Hancock St. to Ninth St.

Old Louisville: Includes the downtown area immediately surrounding the CBD, as well as Old Louisville.

Hurstbourne/Eastpoint: Largest suburban market includes areas east of I-264, north of Shelbyville Rd. and south of Westport Rd.

Plainview/Middletown: Contains the areas south of Shelbyville Rd., north of I-64 and east of Hurstbourne Pkwy.

Southeast: Includes the area along S. Hurstbourne Parkway, extending south from I-64 to Bardstown Rd.

Northeast: Embodies an area south of the Ohio River, north of Westport Rd. and east of I-264.

St. Matthews: Largely within I-264 and east of Bardstown Rd.

South Central: Encompasses an area southwest of Bardstown Rd. to Shively, which includes Louisville International Airport.

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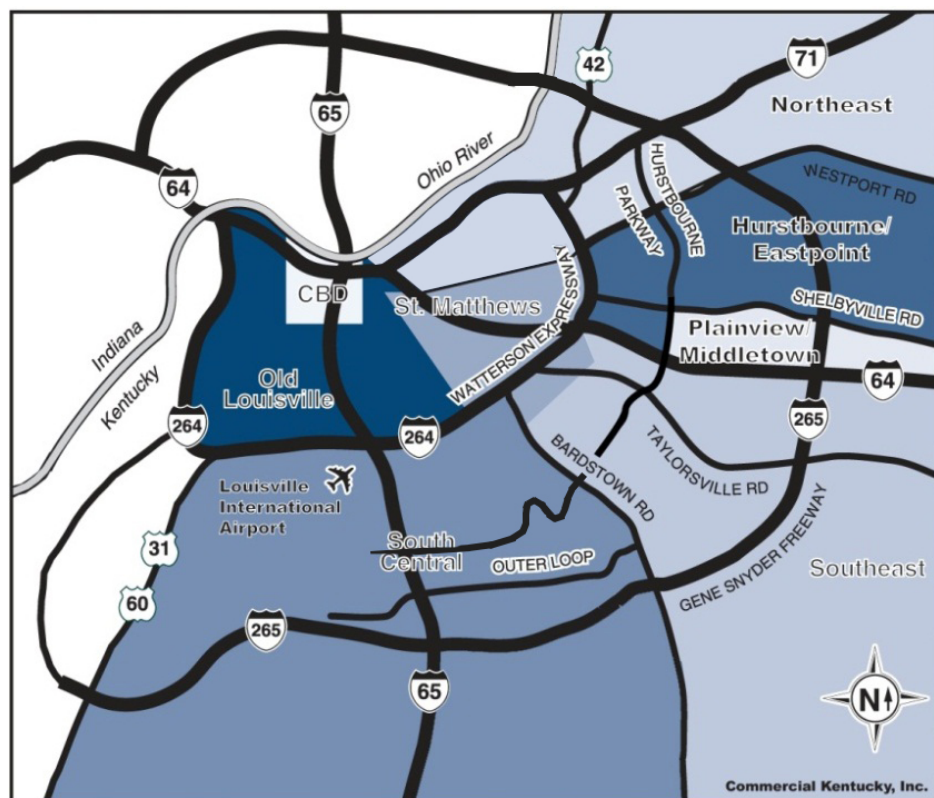
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