

# MARKETBEAT LOUISVILLE



## Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
<b>1.7%</b> Vacancy Rate	▼	▲
<b>1.3M</b> YTD Net Absorption, SF	▲	▲
<b>\$4.64</b> Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

### ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
<b>669.4K</b> Louisville Employment	▲	▲
<b>4.3%</b> Louisville Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMIC OVERVIEW

The Louisville unemployment rate increased slightly from 3.9% at the end of the fourth quarter to 4.3% during the first quarter. This can mainly be attributed to seasonal adjustment. According to the Bureau of Labor Statistics, manufacturing employment levels increased by 103,000 jobs during the first quarter while transportation and warehousing employment levels increased by 123,000 jobs during the first quarter. Additionally, Quadrant Magnetics, which provides magnetic-related products, services and technologies, announced plans to bring magnetic manufacturing state side with its \$95 million facility totaling 171,000 square feet (sf) in East Louisville. The rare-earth magnet manufacturing operations will be its first mass production facility in the U.S. and is expected to bring 200 full-time jobs to the area over a 10-year period.

### MARKET OVERVIEW

Following the blistering pace set at the end of 2021, first quarter 2022 leasing activity was 2.0 million square feet (msf). The South submarket recorded the most activity with 608,606 sf.

Overall net absorption for the first quarter was positive 1.3 msf, marking the 27th consecutive quarter of positive net absorption. The Bullitt County submarket recorded the most net absorption with 671,678 sf. The South submarket was the only submarket to record negative absorption during the quarter of negative 11,249 sf.

The Louisville market had 932,700 sf of new construction delivered during the first quarter of 2022, and 671,678 sf that was pre-leased in the fourth quarter. There is currently 8.9 msf under construction as developers try to keep up with demand in the area.

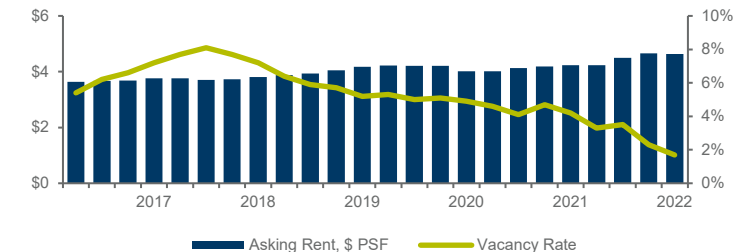
The vacancy rate decreased 60 basis points (bps) during the first quarter from 2.3% to 1.7%. The current vacancy rate of 1.7% is the lowest overall rate ever recorded in the Louisville market. The East submarket had the lowest vacancy rate at the end of the first quarter with 0.6%.

Overall average asking rents decreased slightly during the quarter from \$4.65 per square foot (psf) to \$4.64 psf.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



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### BULK OVERVIEW

Bulk leasing activity for the first quarter was 1.7 msf, which is down from the 2.1 msf we saw this time last year. That is due to the lack of available space currently on the market. The South submarket recorded the most leasing activity with 499,840 sf. This accounted for 30% of all leasing activity for the quarter. Additionally, there were two investment sales in the bulk market that occurred during the first quarter. The first sale was the purchase of 825 Conestoga Parkway, a 326,720 sf building in the Bullitt County submarket 100% occupied by Rivian Car Company, acquired by JLL Income Property Trust from Core5 for \$39.5 million. The second sale was the purchase of 13150 Plantside Drive, a 322,831 sf building in the East submarket 100% occupied by Piston Automotive, acquired by Bixby Land Cos. from Hunt Midwest for \$43.3 million.

Bulk overall net absorption for the first quarter was positive 1.3 msf. The Bullitt County submarket recorded the most absorption of 671,678 sf, which was driven by the construction completion of 337 Park Loop Road. This building was pre-leased last quarter to Material Handling Systems.

Two new bulk buildings were completed during the first quarter totaling 891,660 sf of construction completions in the South and Bullitt County submarkets. Both buildings were speculative developments with the completion of IAC's 219,982 sf distribution facility in the South submarket and the completion of Prologis's 671,678 sf distribution facility in the Bullitt County submarket. Construction continues to ramp up to meet the high demand in the market with 8.9 msf currently under construction. The Bullitt County and South submarkets have the most square footage currently under construction with 3.5 msf and 1.3 msf respectively.

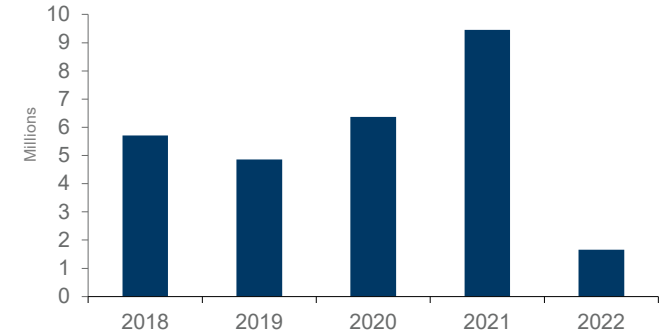
The bulk vacancy rate decreased 50 bps from 2.3% to 1.8% during the first quarter. This is the lowest vacancy rate ever recorded since we began tracking bulk product in 2016. The Southern Indiana submarket had the biggest decrease in vacancy rate during the first quarter dropping from 4.2% to 0.4%. Additionally, the Central and East submarkets ended the first quarter with a bulk vacancy rate of 0.0%.

Average asking rent increased from \$4.71 psf to \$4.79 psf during the first quarter and is up 12.1% from the \$4.21 psf at this time last year. This increase in asking rent can mainly be attributed to overall increase in demand and the cost to complete new product.

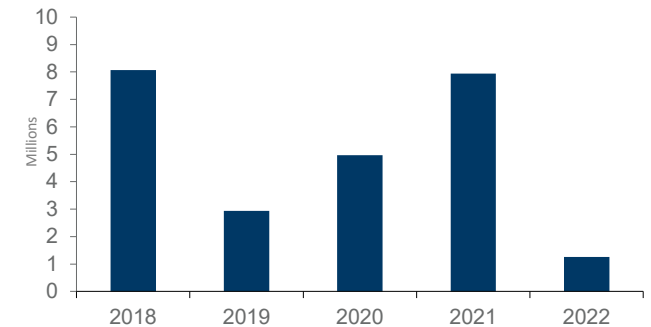
### OUTLOOK

- The Louisville bulk market is off to another great start. As construction activity continues to increase, land sites will continue to become difficult to find in the traditional submarkets requiring developers to get creative with land sites in the surrounding areas.
- Recently, newly constructed speculative buildings have been leased quickly with several being pre-leased prior to construction completion. As more product becomes available through construction completions, this trend is will likely phase out.
- Interest rates have begun to rise. Effects of this may be seen in late 2022.

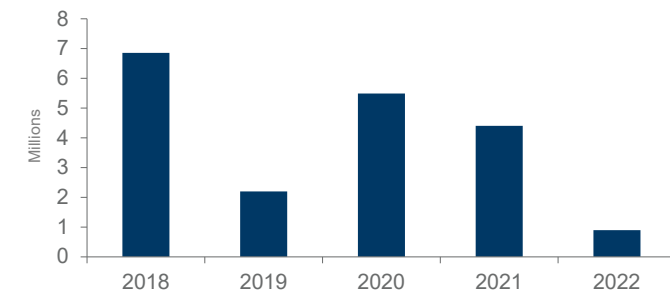
Leasing Activity – Bulk (square feet)



Net Absorption – Bulk (square feet)



Construction Completions – Bulk (square feet)



# MARKETBEAT LOUISVILLE



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## Industrial Q1 2022

### MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	YTD OVERALL LEASING ACTIVITY	*OVERALL WEIGHTED AVG. NET RENT (MF)	*OVERALL WEIGHTED AVG. NET RENT (OS)	*OVERALL WEIGHTED AVG. NET RENT (WD)
<b>Central</b>	<b>424</b>	<b>20,704,176</b>	<b>118,254</b>	<b>3.0%</b>	<b>79,072</b>	<b>434,000</b>	<b>0</b>	<b>67,760</b>	<b>\$3.10</b>	<b>\$11.09</b>	<b>\$1.73</b>
Downtown	218	9,565,510	91,852	5.5%	52,082	434,000	0	34,790	\$2.96	N/A	\$1.73
I-64	60	1,860,523	0	2.3%	6,708	0	0	9,570	\$9.02	\$11.09	N/A
I-65	146	9,278,143	26,402	0.6%	20,282	0	0	23,400	\$5.00	N/A	N/A
<b>East</b>	<b>415</b>	<b>27,158,930</b>	<b>135,056</b>	<b>0.6%</b>	<b>129,003</b>	<b>444,120</b>	<b>0</b>	<b>319,186</b>	<b>\$12.19</b>	<b>\$9.24</b>	<b>N/A</b>
Jeffersontown	290	13,322,012	135,056	0.9%	35,397	444,120	0	216,380	\$12.19	\$8.39	N/A
Middletown / Eastpoint	83	3,794,421	0	1.4%	93,100	0	0	99,900	N/A	\$11.42	N/A
Westport Road	42	10,042,497	0	0.1%	506	0	0	2,906	N/A	\$8.36	N/A
<b>South</b>	<b>530</b>	<b>59,175,392</b>	<b>45,090</b>	<b>1.7%</b>	<b>-11,249</b>	<b>1,316,359</b>	<b>261,022</b>	<b>608,606</b>	<b>\$3.49</b>	<b>\$6.77</b>	<b>\$5.17</b>
Airport	189	32,217,425	35,010	2.1%	-135,832	1,173,921	0	351,840	\$3.49	N/A	\$4.93
Bishop Lane	213	9,253,585	10,080	3.0%	29,973	142,438	219,982	110,438	N/A	\$6.67	\$5.33
Fern Valley	128	17,704,382	0	0.3%	94,610	0	41,040	146,328	N/A	\$7.00	\$6.95
<b>West / Southwest</b>	<b>182</b>	<b>22,245,213</b>	<b>134,000</b>	<b>2.2%</b>	<b>9,333</b>	<b>1,013,720</b>	<b>0</b>	<b>139,105</b>	<b>\$2.25</b>	<b>\$9.20</b>	<b>\$4.17</b>
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	113	17,945,646	134,000	2.0%	139,105	1,013,720	0	139,105	N/A	\$9.20	\$4.49
Westend	62	4,051,543	0	3.2%	-129,772	0	0	0	\$2.25	N/A	\$2.75
<b>Bullitt County</b>	<b>70</b>	<b>20,833,531</b>	<b>0</b>	<b>1.9%</b>	<b>671,678</b>	<b>3,487,663</b>	<b>671,678</b>	<b>443,520</b>	<b>\$3.69</b>	<b>N/A</b>	<b>\$4.46</b>
<b>Southern Indiana</b>	<b>262</b>	<b>27,260,729</b>	<b>0</b>	<b>1.2%</b>	<b>409,732</b>	<b>2,278,737</b>	<b>0</b>	<b>449,732</b>	<b>\$5.10</b>	<b>N/A</b>	<b>\$6.76</b>
Floyd County	93	5,362,313	0	0.3%	76,725	0	0	76,725	\$7.95	N/A	\$4.00
Clark County	169	21,898,416	0	1.4%	333,007	2,278,737	0	373,007	\$4.67	N/A	\$6.95
<b>LOUISVILLE TOTALS</b>	<b>1,883</b>	<b>177,377,971</b>	<b>432,400</b>	<b>1.7%</b>	<b>1,287,569</b>	<b>8,974,599</b>	<b>932,700</b>	<b>2,027,909</b>	<b>\$3.48</b>	<b>\$9.54</b>	<b>\$4.86</b>

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

### MARKET STATISTICS – BULK

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTMENT SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	YTD OVERALL LEASING ACTIVITY	*OVERALL WEIGHTED AVG. NET RENT Q1 2021	*OVERALL WEIGHTED AVG. NET RENT Q1 2022
Central	3	777,595	0	0%	0	434,000	0	0	\$3.85	N/A
East	26	5,370,061	322,831	0%	98,800	444,120	0	277,902	\$5.10	N/A
South	68	24,037,875	0	2.8%	51,899	1,316,359	219,982	499,840	\$4.95	\$5.09
West / Southwest	46	11,813,024	0	3.0%	138,105	962,775	0	138,105	\$3.83	\$4.49
Bullitt County	37	18,504,069	326,720	1.4%	671,678	3,487,965	671,678	443,520	\$4.05	\$4.46
Southern Indiana	32	14,091,257	0	0.4%	300,000	2,278,737	0	300,000	\$4.12	\$4.55
<b>LOUISVILLE TOTALS</b>	<b>212</b>	<b>74,593,881</b>	<b>649,551</b>	<b>1.8%</b>	<b>1,260,482</b>	<b>8,923,956</b>	<b>891,660</b>	<b>1,659,367</b>	<b>\$4.21</b>	<b>\$4.79</b>

\*Bulk is defined by 100,000 sf +, Class A, 28'+ clear, and ESFR.

# MARKETBEAT LOUISVILLE



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## Industrial Q1 2022

### Key Lease Transactions – Q1 2022

Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
900 E. Blue Lick Road*	443,520	Arvato	New Lease	Bullitt
1000 Patrol Road	300,000	Resident Home Inc.	New Lease	Southern Indiana
3201 South Park Road*	208,320	Fisher & Paykel	New Lease	South
7865 National Turnpike	143,520	Dawn Foods	New Lease	South
13600 Northeast Park Drive	98,800	Healthcare Asset Network	New Lease	East

\*Denotes pre-leasing

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Research Analyst

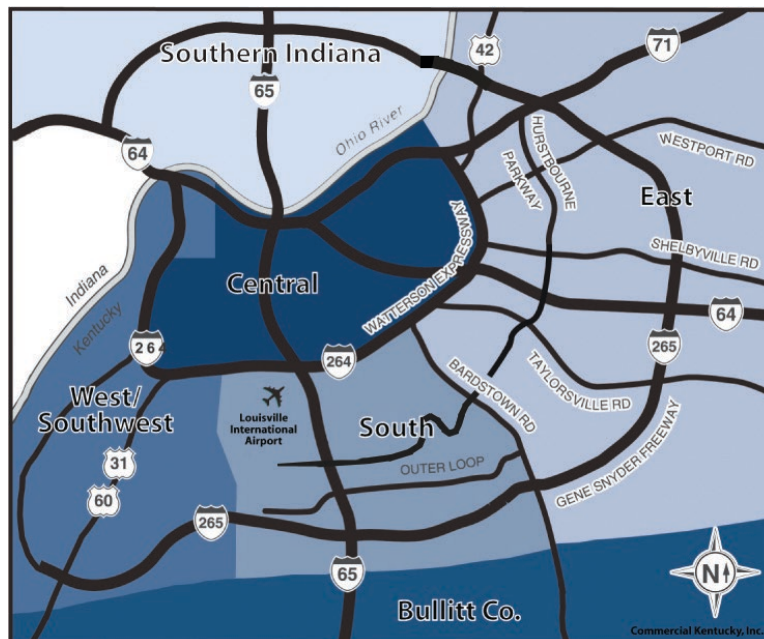
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### Key Sales Transactions – Q1 2022

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
825 Conestoga Parkway	326,720	JLL Income Property Trust / Core5	\$39.5M / \$120.90 PSF	Bullitt
13150 Plantside Drive	322,831	Bixby Land Cos. / Hunt Midwest	\$43.5M / \$133.97 PSF	East

### INDUSTRIAL SUBMARKETS



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