

MARKETBEAT LOUISVILLE



Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate	▼	▲
3.3M YTD Net Absorption, SF	▼	▲
\$4.77 Asking Rent, PSF	▲	▲
Overall, Net Asking Rent		

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
679.6K Louisville Employment	▲	▲
3.1% Louisville Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

The U.S. unemployment rate decreased slightly during the third quarter of 2022 from 3.6% to 3.5% according to the Bureau of Labor Statistics (BLS). Manufacturing activity continues to hold strong as evidenced by the 28th consecutive month of growth for the overall economy according to the Institute for Supply Management's September report. The manufacturing sector continues to grow, but at the lowest rate since the pandemic recovery began. The report recorded a Manufacturing PMI of 50.9%, which is the lowest figure since May 2020 when it registered 43.5%.

Closer to home, Ford Motor Company announced plans to expand their Louisville presence with a \$700 million investment. The investment is expected to create 500 full-time jobs as the company prepares to produce the all-new 2023 Ford F-Series Super Duty Truck. This is one of the largest investments ever in Jefferson County. This follows Ford's announcement last year to, along with SK Innovation, build twin electric vehicle battery manufacturing plants in nearby Glendale, KY, collectively known as BlueOvalSK Battery Park-Kentucky.

MARKET OVERVIEW

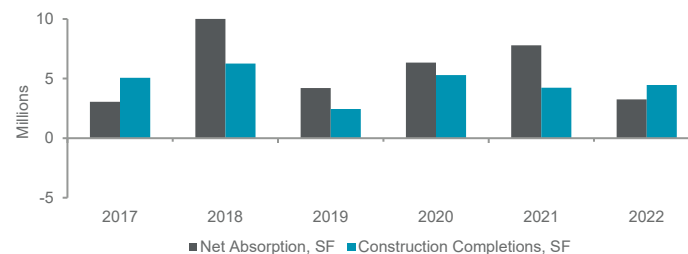
Leasing activity in the Louisville metro area for the third quarter totaled 1.5 million square feet (msf) bringing the year-to-date (YTD) total to 6.8 msf. The Central submarket recorded the most activity for the third quarter totaling 566,668 sf.

Overall net absorption for the quarter totaled 768,900 sf, marking the 29th consecutive quarter of positive net absorption. The Central submarket recorded the most net absorption totaling 538,622 sf. The South submarket and West/Southwest submarket both recorded negative absorption during the quarter of -128,596 sf and -134,178 sf respectively.

The Louisville market had over 2.4 msf of new construction delivered during the third quarter of 2022. There is currently 8.4 msf under construction as developers try to keep up with demand. Of that 8.4 msf under construction, 2.5 msf is already pre-leased or a build-to-suit (BTS).

Given the new construction deliveries, the vacancy rate increased 80 basis points (bps) during the third quarter from 1.5% to 2.3%. The Central submarket had the lowest vacancy rate, ending the quarter at 0%. Additionally, overall average asking rents decreased during the quarter from \$4.89 per square foot (psf) to \$4.77 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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BULK OVERVIEW

Bulk leasing activity for the third quarter totaled 826,182 sf, which is down from the 1.4 msf last year due to lack of available space on the market and demand. Fortunately, 4.4 msf of speculative (spec) product is slated to hit the market by year-end. The Central submarket recorded the most leasing activity during the quarter totaling 434,000 sf, which accounted for 53% of all leasing activity for the quarter and was driven by the completion and leasing of Poe Companies 434,000 sf building at 1391 Dixie Highway.

Bulk overall net absorption for the third quarter totaled 379,027 sf bringing the YTD total to 2.8 msf. The Central submarket recorded the most absorption of 434,000 sf, followed by the Southern Indiana and East submarkets.

Six new spec bulk buildings were completed during the quarter totaling 2.4 msf in the Bullitt County, Southern Indiana, East and Central submarkets. Crossdock Developments completed their 572,000 sf distribution facility in the Bullitt County submarket while Gray Construction, Exeter, and US Capital completed their bulk developments in Southern Indiana, which totaled 1.3 msf. Lichtefeld completed their 117,120 sf facility in the East submarket and as previously mentioned, Poe Companies completed their 434,000 sf facility in the Central submarket, which was the first new bulk development in the Central submarket since 2018. There is currently 8.3 msf of bulk product under construction, and we anticipate a total of 5.4 msf to be completed in the fourth quarter.

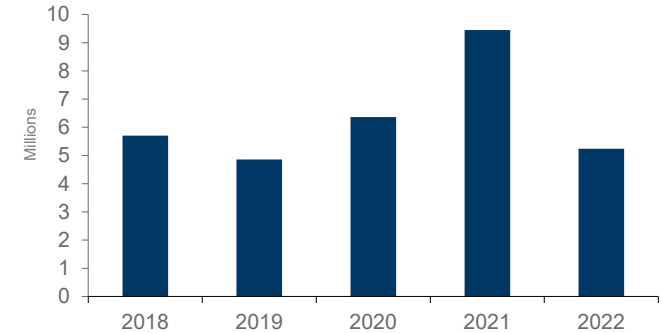
The bulk vacancy rate increased 270 bps from 1.5% to 4.2% during the third quarter, mostly due to the new product that was brought on during the quarter. Of the 2.4 msf that was completed, currently 1.1 msf remains vacant. The Southern Indiana submarket had the biggest increase in vacancy, increasing 670 bps from 0% to 6.7%. The Central submarket ended the quarter with a bulk vacancy rate of 0.0%.

Average asking rent decreased from \$5.26 psf to \$4.87 psf during the third quarter and is down 7.4% from the \$5.26 psf at this time last year. However, a recent trend finds many properties without an asking rate due to rapidly changing market conditions and building cost.

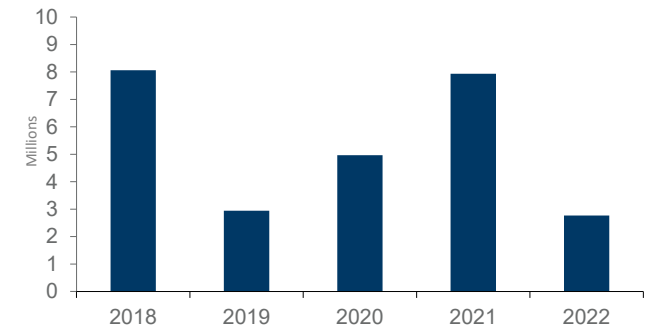
OUTLOOK

- With nearly 4.4 msf of new speculative bulk product hitting the market by year-end, coupled with third quarter bulk completions of 2.4 msf, deal rates could potentially increase as tenant demand continues and inflation persists throughout the economy.
- The majority of new spec development is occurring in the typical hot spots (Southern Indiana and Bullitt County), but a recent moratorium on spec development in Southern Indiana will certainly slow new construction moving forward.
- Over the past five years, Louisville has averaged 5.3 msf of bulk leasing activity per year, and that trend should continue into the first half of 2023.
- Investment traffic has slowed as interest rates and inflation concerns have caused buyers to reassess valuations, cap rates and long-term cost of capital.

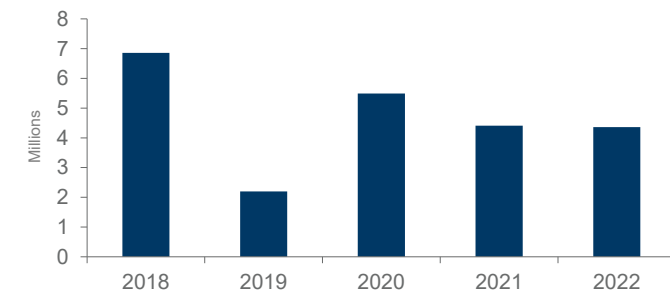
Leasing Activity – Bulk (square feet)



Net Absorption – Bulk (square feet)



Construction Completions – Bulk (square feet)



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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 (W/D)
Central	424	21,191,564	0	2.5%	585,454	0	434,000	677,290	\$2.99	\$10.34	N/A
Downtown	219	9,993,675	167,729	5.0%	500,082	0	434,000	583,778	\$2.99	\$9.35	N/A
I-64	60	1,860,523	0	2.2%	9,570	0	0	12,432	N/A	\$10.97	N/A
I-65	145	9,337,366	87,784	0%	75,802	0	0	81,080	N/A	N/A	N/A
East	412	27,332,250	154,010	0.5%	268,411	453,000	173,320	644,079	\$6.50	\$9.41	\$8.25
Jeffersontown	293	13,495,332	154,010	0.8%	176,923	327,000	173,320	344,201	\$6.50	\$8.66	\$8.25
Middletown / Eastpoint	83	3,794,421	0	0.6%	93,082	126,000	0	254,105	N/A	\$12.46	N/A
Westport Road	42	10,042,497	0	0.1%	-1,594	0	0	45,773	N/A	\$8.77	N/A
South	533	59,741,419	105,497	1.7%	143,602	1,172,702	501,539	2,082,154	N/A	\$7.91	\$5.00
Airport	190	32,315,504	35,010	1.8%	3,212	1,172,702	98,079	740,109	N/A	N/A	\$5.56
Bishop Lane	215	9,461,533	52,868	0.1%	438,467	0	362,420	647,882	N/A	\$9.51	\$4.88
Fern Valley	128	17,694,382	17,619	2.5%	-298,077	0	41,040	694,163	N/A	\$6.80	\$4.25
West / Southwest	183	22,505,213	134,000	1.8%	364,505	1,267,946	260,000	1,203,992	N/A	\$9.63	\$4.09
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	114	18,205,646	134,000	1.7%	444,505	1,267,946	260,000	1,062,220	N/A	\$9.63	\$4.55
Westend	62	4,051,543	0	2.0%	-80,000	0	0	141,772	N/A	N/A	\$2.75
Bullitt County	73	21,959,216	0	5.0%	1,115,198	3,077,526	1,797,363	1,476,709	\$3.69	N/A	\$4.99
Southern Indiana	265	28,552,196	358,354	3.7%	776,578	2,390,005	1,291,467	788,020	N/A	N/A	\$4.62
Floyd County	93	5,362,313	0	0.2%	85,051	0	0	186,831	N/A	N/A	\$4.63
Clark County	172	23,189,883	358,354	4.6%	691,527	2,390,005	1,291,467	601,189	N/A	N/A	\$4.00
LOUISVILLE TOTALS	1896	181,011,858	1,007,374	2.3%	3,253,748	8,361,179	4,457,689	6,872,244	\$3.18	\$9.72	\$4.83

*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 Q3 2021	*OVERALL WEIGHTED AVG. NET RENT Q3 2022
Central	4	1,211,595		0%	434,000	0	434,000	434,000	N/A	N/A
East	27	5,487,181		0.7%	177,902	453,000	117,120	441,920	\$6.95	\$8.25
South	70	24,278,392		4.9%	-17,588	1,756,454	460,499	1,408,460	\$4.90	\$5.01
West / Southwest	47	12,073,024		2.6%	440,155	2,028,446	260,000	1,056,870	\$4.44	\$4.55
Bullitt County	40	19,629,754		4.8%	1,115,198	3,077,504	1,797,363	1,476,709	\$4.42	\$4.99
Southern Indiana	35	15,382,724		6.7%	617,118	2,390,005	1,291,467	422,068	\$4.23	\$4.58
LOUISVILLE TOTALS	223	78,062,670		4.2%	2,766,785	8,264,297	4,360,449	5,240,027	\$4.48	\$4.87

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Key Lease Transactions – Q3 2022

Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1391 Dixie Highway	228,850	ADS	Lease	Central
4420 Bishop Lane	219,982	Plumbers Supply	Lease	South
1391 Dixie Highway	205,150	USPS	Lease	Central
13620 Northeast Park Drive	126,000	GFX Auto	Lease	East

*Denotes pre-leasing

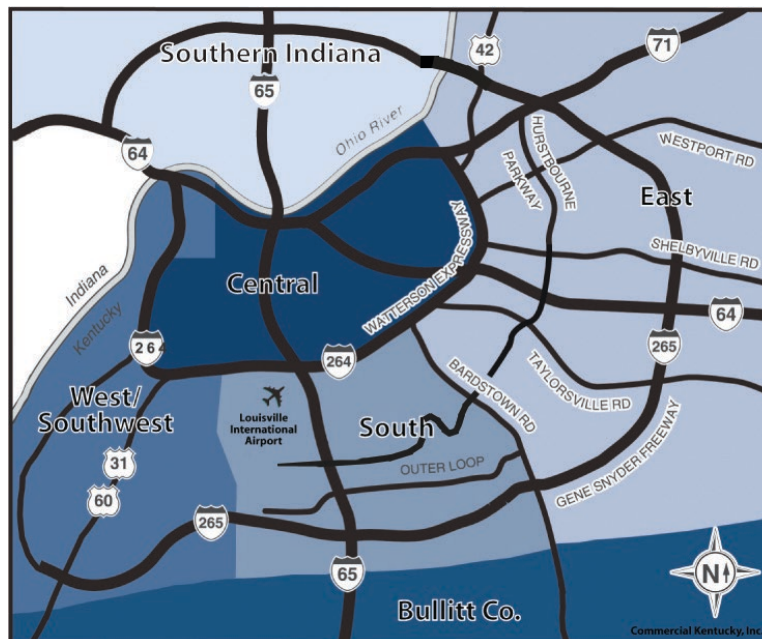
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INDUSTRIAL SUBMARKETS



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