

# MARKETBEAT LOUISVILLE

## Industrial Q4 2022

**4.1%**  
Vacancy Rate

YoY Chg ▼ 12-Mo. Forecast —

**5.4M**  
YTD Net Absorption, SF

YoY Chg ▼ 12-Mo. Forecast ▼

**\$5.10**  
Asking Rent, PSF

YoY Chg ▲ 12-Mo. Forecast —

Overall, Net Asking Rent

### ECONOMIC INDICATORS Q4 2022

**691.9K**  
Louisville  
Employment

YoY Chg ▲ 12-Mo. Forecast ▲

**3.3%**  
Louisville  
Unemployment Rate

YoY Chg ▼ 12-Mo. Forecast ▲

**3.7%**  
U.S.  
Unemployment Rate

YoY Chg ▼ 12-Mo. Forecast ▲

Source: BLS

### ECONOMIC OVERVIEW

The U.S. unemployment rate increased slightly during the fourth quarter of 2022 from 3.5% to 3.7% according to the Bureau of Labor Statistics (BLS). According to the Institute for Supply Management®, manufacturing activity for the overall economy has slowed after 29 straight months of consecutive growth. The December report recorded a Manufacturing PMI® of 48.4%, which is the lowest figure since May 2020 when it registered 43.5%.

Closer to home, EnerVenue, Inc., headquartered in California, has proposed a \$264 million battery manufacturing facility, as well as space for storage and testing, in Shelbyville, Kentucky. The investment is expected to create 450 full-time jobs over the next 15 years that pay an hourly wage of \$31.70 including benefits. The company was the first to bring metal-hydrogen batteries to the clean energy revolution as a more advantageous solution to lithium-ion and other alternatives. It replaces metal platinum in nickel hydrogen batteries with a new metal that cuts costs by 80% to 85%.

### MARKET OVERVIEW

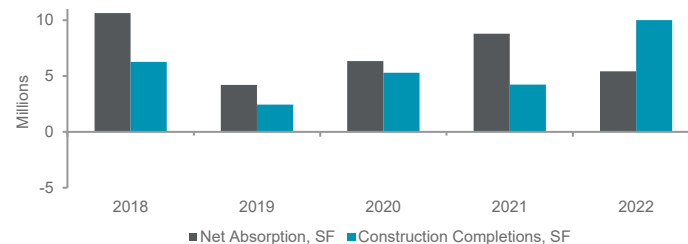
Leasing activity in the Louisville metro area for the fourth quarter totaled 2.5 million square feet (msf) bringing the year-to-date (YTD) total to 9.4 msf. The West / Southwest submarket recorded the most activity for the fourth quarter totaling 835,725 square feet (sf).

Overall net absorption for the fourth quarter totaled 2.2 msf, marking the 30th consecutive quarter of positive net absorption. The Bullitt County submarket recorded the highest amount of net absorption totaling 1,276,527 sf for the quarter, largely due to Arvato occupying their newly complete spec building of 974,050 sf by Exeter. The Central and South submarkets both recorded negative absorption during the quarter of -47,103 sf and -179,326 sf respectively.

The Louisville market had over 5.5 msf of new construction delivered during the fourth quarter of 2022 bringing the YTD total to 10,003,407 sf. There is currently 3.6 msf under development with more product planned in a lengthy pipeline.

Due in large part to the robust supply delivered vacant, the overall vacancy rate increased 180 basis points (bps) during the fourth quarter from 2.3% to 4.1%. The East submarket had the lowest vacancy rate closing out the year at 0.5%. Additionally, overall average asking rents increased during the quarter from \$4.77 per square foot (psf) to \$5.10 psf.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT LOUISVILLE



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## Industrial Q4 2022

### BULK OVERVIEW

Bulk leasing activity for the fourth quarter totaled 2.2 msf bringing the YTD total to 7.4 msf. The West / Southwest submarket recorded the most leasing activity during the quarter totaling 835,725 sf, accounting for 38% of all bulk leasing activity.

Bulk overall net absorption for the fourth quarter totaled 2,417,913 sf bringing the YTD total to 5.1 msf. The Bullitt County submarket recorded the most absorption YTD of 2.4 msf, followed by the Southern Indiana and West / Southwest submarkets.

Fifteen new bulk buildings were completed during the quarter totaling 5.5 msf across all submarkets, bringing the YTD total to 9.9 msf. The Bullitt County submarket recorded the most construction completions during the quarter driven by Core5's completion of their two buildings totaling nearly 1 msf, while Exeter completed their Derby Logistics Center totaling 1.5 msf. Three new build-to-suit (BTS) properties were delivered during the quarter totaling 719,806 sf. These consisted of Michelin's 253,500 sf distribution facility in the West / Southwest submarket, Independent Container's new facility in the South and GFX Auto's 126,000 sf facility in the East. There is currently 3.5 msf of bulk product under construction. Additionally, two new-to-market developers have announced plans to construct bulk developments in the Louisville market. Broe Real Estate Group is planning a 300,000 sf facility in Southern Indiana while Lincoln Property Co. is planning two bulk buildings in Riverport totaling 322,931 sf.

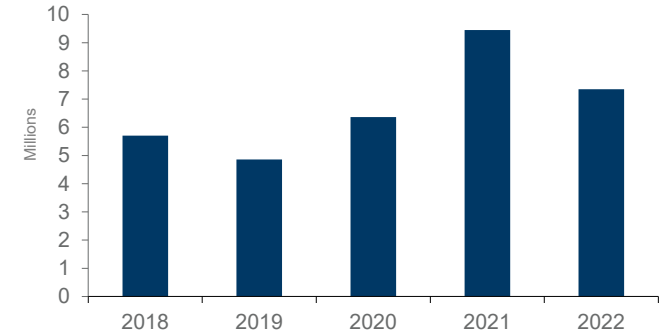
The bulk vacancy rate increased from 4.2% to 7.7% during the fourth quarter, mostly due to new vacant spec product that was brought on during the quarter. Currently, 60% of the newly delivered speculative product remains vacant. The Bullitt County and Southern Indiana submarkets had the biggest increase in vacancy, climbing 360 bps each from 4.9% to 8.2% and 6.7% to 10.3%, respectively. The Central and East submarkets ended the quarter with a bulk vacancy rate of 0.0%.

Average asking rents decreased from \$5.26 psf to \$5.15 psf during the fourth quarter and are up 9.3% from the \$4.71 psf registered one year ago. However, a recent trend finds many properties without an asking rate due to rapidly changing market conditions and building costs.

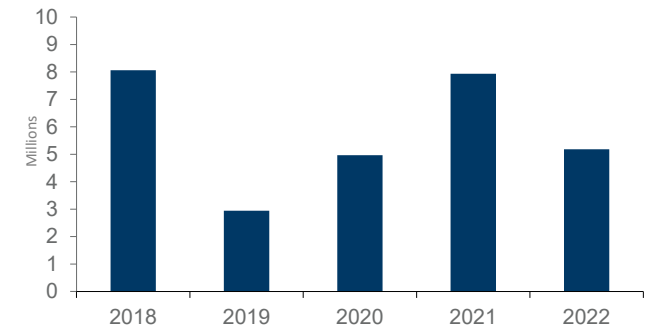
### OUTLOOK

- Pre-leasing is likely to diminish as fourth quarter bulk speculative construction completions of 4.6 msf leave over 2.8 msf of vacant and available space on the market.
- Deal rates will likely increase further as tenant demand continues and inflation persists within the construction industry and throughout the economy in general.
- While the Louisville bulk market has averaged 5.3 msf of annual leasing activity over the last 5 years, demand may begin to slow during the second half of 2023 after remaining steady throughout the next few quarters.
- Investment traffic remains slow as the Federal Reserve continues to increase interest rates causing buyers to reassess valuations, cap rates and long-term cost of capital.

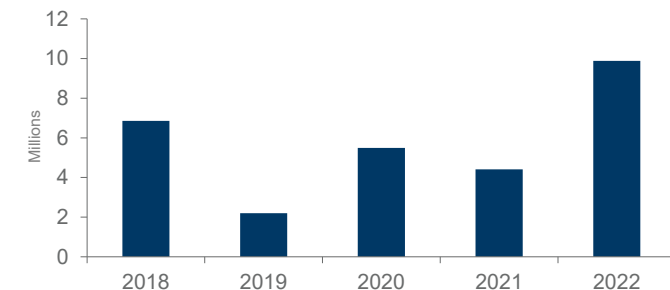
### Leasing Activity – Bulk (square feet)



### Net Absorption – Bulk (square feet)



### Construction Completions – Bulk (square feet)



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## Industrial Q4 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 (W/D)
<b>Central</b>	<b>424</b>	<b>21,191,564</b>	<b>277,053</b>	<b>2.8%</b>	<b>538,351</b>	<b>0</b>	<b>434,000</b>	<b>763,996</b>	<b>\$2.90</b>	<b>\$9.71</b>	<b>N/A</b>
Downtown	219	9,993,675	189,269	4.7%	527,132	0	434,000	626,828	N/A	\$7.10	N/A
I-64	60	1,860,523	0	1.8%	16,926	0	0	24,088	N/A	\$11.74	N/A
I-65	145	9,337,366	87,784	0.9%	-5,707	0	0	113,080	\$2.90	N/A	N/A
<b>East</b>	<b>419</b>	<b>27,458,250</b>	<b>179,506</b>	<b>0.5%</b>	<b>389,586</b>	<b>749,015</b>	<b>299,320</b>	<b>732,011</b>	<b>\$8.86</b>	<b>\$9.98</b>	<b>\$9.41</b>
Jeffersontown	293	13,495,332	165,506	0.9%	164,969	749,015	173,320	408,173	\$8.86	\$9.26	\$9.41
Middletown / Eastpoint	84	3,920,421	14,000	0.5%	221,542	0	126,000	271,565	N/A	\$13.75	N/A
Westport Road	42	10,042,497	0	0.1%	3,075	0	0	52,273	N/A	\$8.48	N/A
<b>South</b>	<b>539</b>	<b>60,613,841</b>	<b>116,747</b>	<b>3.8%</b>	<b>-35,724</b>	<b>70,200</b>	<b>1,603,981</b>	<b>2,640,070</b>	<b>\$7.32</b>	<b>\$9.64</b>	<b>\$5.02</b>
Airport	195	33,417,946	46,260	3.7%	443,144	70,200	1,200,521	1,131,927	\$7.45	\$8.95	\$5.44
Bishop Lane	216	9,501,513	52,868	1.4%	313,999	0	362,420	808,770	\$7.14	\$9.82	\$6.19
Fern Valley	128	17,694,382	17,619	5.3%	-792,867	0	41,040	699,373	N/A	N/A	\$4.40
<b>West / Southwest</b>	<b>185</b>	<b>23,257,988</b>	<b>153,860</b>	<b>2.9%</b>	<b>837,730</b>	<b>865,171</b>	<b>1,012,775</b>	<b>2,039,717</b>	<b>N/A</b>	<b>\$9.63</b>	<b>\$4.40</b>
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	116	18,958,421	134,000	3.1%	917,730	865,171	1,012,755	1,897,945	N/A	\$9.63	\$4.62
Westend	62	4,051,543	19,860	2.0%	-80,000	0	0	141,772	N/A	N/A	\$2.75
<b>Bullitt County</b>	<b>77</b>	<b>24,324,767</b>	<b>0</b>	<b>9.0%</b>	<b>2,391,725</b>	<b>711,975</b>	<b>4,162,914</b>	<b>1,877,466</b>	<b>\$3.69</b>	<b>N/A</b>	<b>\$5.64</b>
<b>Southern Indiana</b>	<b>269</b>	<b>29,751,146</b>	<b>358,354</b>	<b>5.9%</b>	<b>1,292,098</b>	<b>1,191,055</b>	<b>2,490,417</b>	<b>1,303,540</b>	<b>N/A</b>	<b>N/A</b>	<b>\$4.89</b>
Floyd County	93	5,362,313	0	0.2%	85,051	0	0	186,831	N/A	N/A	\$4.90
Clark County	176	24,388,833	358,354	7.1%	1,207,047	1,191,055	2,490,417	1,116,709	N/A	N/A	\$4.00
<b>LOUISVILLE TOTALS</b>	<b>1,913</b>	<b>186,597,556</b>	<b>1,085,520</b>	<b>4.1%</b>	<b>5,413,766</b>	<b>3,587,416</b>	<b>10,003,407</b>	<b>9,356,800</b>	<b>\$3.65</b>	<b>\$9.84</b>	<b>\$5.14</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 Q4 2021	*OVERALL WEIGHTED AVG. NET RENT Q4 2022
Central	4	1,211,595	0	0%	434,000	0	434,000	434,000	N/A	N/A
East	28	5,613,181	322,831	0%	341,920	390,000	243,120	479,938	\$6.95	N/A
South	74	25,354,234	0	8.2%	-28,962	0	1,536,341	1,794,966	\$4.98	\$5.04
West / Southwest	49	12,825,799	243,613	4.6%	913,377	865,171	1,012,755	1,892,595	\$4.49	\$4.62
Bullitt County	44	21,995,305	1,462,240	9.3%	2,391,725	711,957	4,162,910	1,877,466	\$4.33	\$5.37
Southern Indiana	39	16,851,674	563,032	10.3%	1,132,638	1,191,055	2,490,417	872,838	\$4.30	\$4.88
<b>LOUISVILLE TOTALS</b>	<b>238</b>	<b>83,581,788</b>	<b>2,591,716</b>	<b>7.7%</b>	<b>5,184,698</b>	<b>3,485,183</b>	<b>9,879,563</b>	<b>7,351,803</b>	<b>\$4.71</b>	<b>\$5.15</b>



# MARKETBEAT LOUISVILLE

## Industrial Q4 2022



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### Key Lease Transactions – Q4 2022

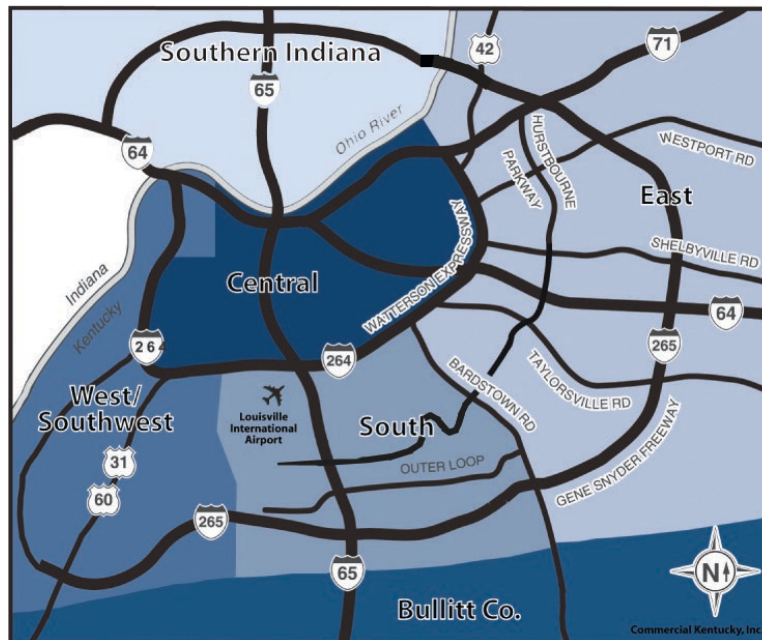
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3101 Pond Station Road	499,275	Confidential	Lease	West / Southwest
8201 National Turnpike	340,306	Independent Container	Lease / BTS	South
6001 Camp Ground Road	253,500	Michelin	Lease / BTS	West / Southwest
250 River Ridge Parkway	247,520	Kenco	Lease	Southern Indiana
100 Brooks Way	178,272	RP Construction Services	Lease	Bullitt County
400 Trey Street*	168,000	Idemitsu	Lease	Southern Indiana
3188 E. Blue Lick Road	112,320	Keen Shoes	Lease	Bullitt County
351 Salem Road*	100,000	Neovia	Lease	Southern Indiana

\*Denotes pre-leasing

### Key Sales Transactions – Q4 2022

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
458 Pope Farm Road	572,000	Crossdock Development / Tradelane Properties	Investment Sale	Bullitt County
101 Jacobs Way	563,032	Exeter / STAG	Investment Sale	Southern Indiana

### INDUSTRIAL SUBMARKETS



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