MARKETBEAT

LOUISVILLE

Industrial Q2 2023

CUSHMAN & WAKEFIELD
Commercial Kentucky

	YoY Chg	12-Mo. Forecast
2.7% Vacancy Rate	▲	▼
3.3M YTD Net Absorption, SF	▲	▲
$5.63 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
689.1K Louisville Employment	▲	▲
3.1% Louisville Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▬	▲

Source: BLS

ECONOMIC OVERVIEW

Many of the challenges faced by the U.S. economy during 2022 continued throughout the first half of 2023: persistent inflation, rising interest rates, the war in Ukraine and geo-political concerns regarding China, Russia and Iran, all combined to fuel uncertainty in the economy. Meanwhile, the national unemployment rate rose 10 basis points (bps) from the first quarter to 3.6% while the Gross Domestic Product (GDP) increased at an annual rate of 2%.

The U.S. unemployment rate increased slightly to 3.6% during the quarter. Meanwhile, the Louisville unemployment rate decreased to 3.1%, down from 3.8% in Q1 23. According to the Bureau of Labor Statistics (BLS), manufacturing employment levels increased by 1,100 jobs during the quarter while transportation and warehousing employment levels decreased by 1,200 jobs.

MARKET OVERVIEW

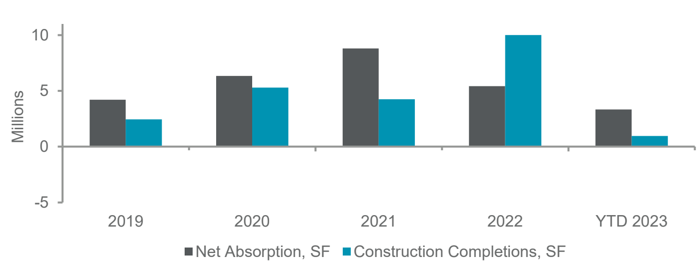
Overall leasing activity during the second quarter totaled more than 3 million square feet (msf), up 32% from the 2.8 msf registered in the first quarter of 2023. Halfway through the year, year-to-date (YTD) leasing activity totaled 6.5 msf, which is 21% higher compared to this time last year. The majority of leasing activity occurred in the Southern Indiana submarket and accounted for 55% of all leasing activity for the quarter.

Overall net absorption for the second quarter totaled 1.3 msf, marking the 32nd consecutive quarter of positive net absorption. The Southern Indiana and Bullitt County submarkets continued to yield high absorption numbers for the quarter totaling 586,250 sf and 383,725 sf respectively. Both the Central and East submarkets recorded negative absorption of -137,387 sf and -134,896 sf respectively.

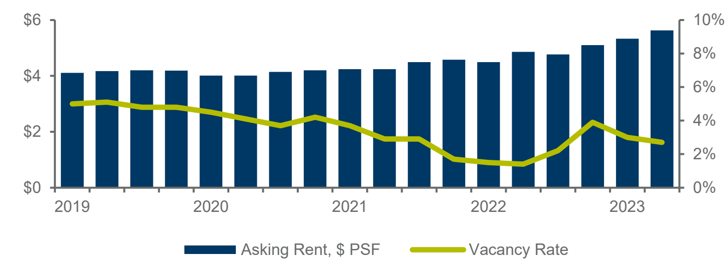
The Louisville market recorded 625,313 sf of new construction during the quarter. The majority of new deliveries occurred in the West / Southwest submarket, including a fully-leased 243,613 sf distribution facility by Brennan Investment Group and a half-leased 105,000 sf speculative facility by Delcour. The South and Southern Indiana submarkets also saw new deliveries this quarter of 70,200 sf and 206,500 sf respectively.

The overall vacancy rate decreased during the quarter from 3.1% to 2.7% as tenants continued to lease up vacant space throughout the market. The Shelby and East submarkets boasted the lowest vacancy rates closing out the quarter at 0% and 0.9%, respectively. Additionally, overall average asking rents climbed during the quarter from $5.33 per square foot (psf) to $5.63 psf, a 5.6% increase.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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BULK OVERVIEW

Bulk leasing activity for the second quarter totaled 3.4 msf, bringing the YTD total to 5.9 msf. The Southern Indiana submarket recorded the most leasing activity during the quarter totaling over 2 msf, a result of the pre-leasing of a 1 msf distribution center by Ryder Logistics. Kenco and Sazerac expanded their current leases to fully occupy their buildings, while Congo Brands leased a 169,000 sf newly completed building and will relocate from the West / Southwest submarket later this year.

Bulk overall net absorption for the second quarter totaled 1.5 msf. Again, the Southern Indiana submarket saw the majority of the net absorption at 614,250 sf, followed by the Bullitt County submarket with 383,725 sf of positive net absorption.

Three new speculative bulk buildings were completed during the quarter totaling 517,613 sf. The West / Southwest submarket saw the most completions accounting for 67% of all deliveries for the quarter. An additional 5.4 msf of speculative bulk product is expected in the market by the end of the year. Additionally, over 13.7 msf of speculative bulk product is planned throughout the market with the majority of that in the South and West / Southwest submarkets.

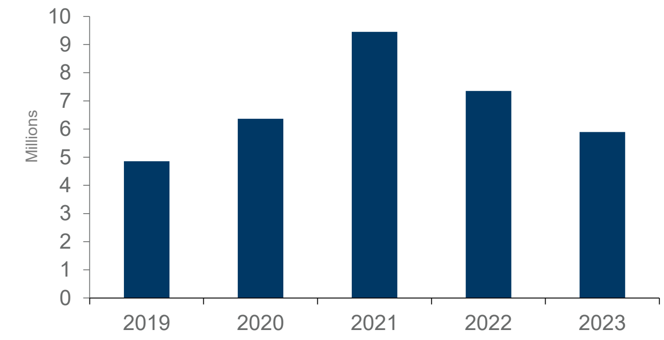
The bulk market continued to yield notable leasing activity during the quarter leading to a 140 bps drop in the overall bulk vacancy rate from 5.7% in the Q1 of 2023, to 4.3% in Q2. The Southern Indiana and Bullitt County submarkets had the biggest drop in vacancy, declining by 200 and 160 bps, respectively. The Central and Shelby County submarkets both ended the quarter with bulk vacancy rates of 0%.

Average asking rents for bulk properties edged higher from $5.37 psf to $5.43 psf during the quarter and are up 3% from this time last year. Building costs and the declining vacancy rates in the market continue to drive lease rates upwards.

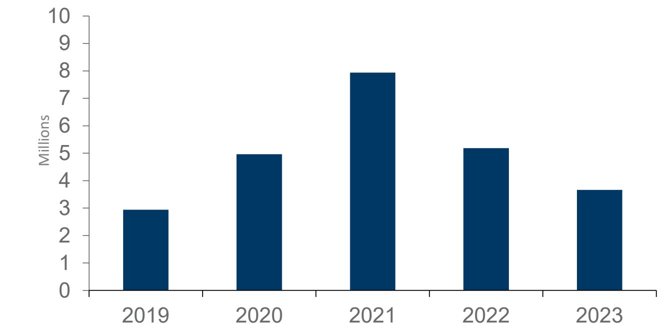
OUTLOOK

- Expect vacancy rates to decrease or remain stable as leasing continues to outpace construction completions.
- With 5.4 msf of new speculative product expected to hit the market by year-end, 2.1 msf is already spoken for.
- Additional second generation space may come available as tenants continue to navigate the economic uncertainty.
- Deal rates keep increasing as healthy demand in the speculative market and inflation in the construction industry persist.
- Over the past five years, Louisville has averaged 5.3 msf of bulk leasing activity per year. At the midyear point, the market has already surpassed that average with 5.8 msf of leasing activity YTD.
- Lack of available land sites continues to be a hot topic for discussion as several submarkets have put moratoriums on speculative development or have limited future growth from a zoning perspective.

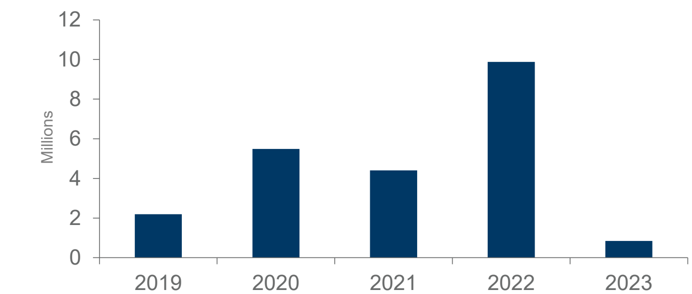
YTD Leasing Activity – Bulk (square feet)



YTD Net Absorption – Bulk (square feet)



YTD Construction Completions – Bulk (square feet)



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MARKET STATISTICS

SUBMARKET.18	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**	**163,227**	**3.4%**	**-136,719**	**0**	**0**	**232,150**	**$4.77**	**$11.00**	**N/A**
Downtown	219	9,993,675	48,590	5.7%	-99,227	0	0	215,150	$4.30	$5.35	N/A
I-64	60	1,860,523	0	4.3%	-45,839	0	0	2,500	N/A	$12.85	N/A
I-65	145	9,337,366	114,637	0.8%	8,347	0	0	14,500	$7.70	N/A	N/A
East	**420**	**27,785,250**	**214,760**	**0.9%**	**207,705**	**448,625**	**327,000**	**283,413**	**$7.68**	**$10.45**	**$7.70**
Jeffersontown	294	13,822,332	55,442	1.3%	263,548	448,625	327,000	250,716	$7.68	$9.92	$8.25
Middletown / Eastpoint	84	3,920,421	159,318	1.1%	-29,674	0	0	25,866	N/A	$14.70	$7.32
Westport Road	42	10,042,497	0	0.3%	-26,169	0	0	6,831	N/A	N/A	$7.45
South	**540**	**60,694,041**	**0**	**2.3%**	**998,359**	**12,800**	**70,200**	**1,995,866**	**$7.18**	**$8.47**	**$4.76**
Airport	196	33,488,146	0	1.2%	917,041	0	70,200	1,638,923	$8.00	N/A	$5.90
Bishop Lane	216	9,511,513	0	0.6%	88,718	12,800	0	123,635	$2.95	$8.47	N/A
Fern Valley	128	17,694,382	0	5.3%	-7,400	0	0	233,308	N/A	N/A	$4.40
West / Southwest	**188**	**23,623,836**	**30,640**	**3.4%**	**224,530**	**821,280**	**348,613**	**334,567**	**N/A**	**N/A**	**$4.86**
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	119	19,324,269	11,782	3.7%	224,530	821,280	348,613	334,567	N/A	N/A	$5.15
Westend	62	4,051,543	18,858	2.0%	0	0	0	0	N/A	N/A	$2.75
Bullitt County	**77**	**24,324,767**	**0**	**5.3%**	**898,129**	**711,975**	**0**	**908,329**	**$4.25**	**N/A**	**$6.18**
Southern Indiana	**273**	**30,148,857**	**36,609**	**2.7%**	**1,137,960**	**1,375,653**	**206,500**	**2,754,077**	**$5.00**	**$15.50**	**$5.55**
Floyd County	93	5,362,313	36,609	0.2%	0	0	0	71,625	N/A	N/A	$5.57
Clark County	180	24,786,544	0	3.3%	1,137,960	1,375,653	206,500	2,682,452	$5.00	$15.50	$4.00
Shelby County	**90**	**7,698,637**	**0**	**0.0%**	**0**	**2,424,739**	**0**	**0**	**N/A**	**N/A**	**N/A**
LOUISVILLE TOTALS	**2,012**	**195,466,952**	**445,236**	**2.7%**	**3,329,964**	**5,795,072**	**952,313**	**6,508,402**	**$5.14**	**$11.66**	**$5.43**

*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 Q2 2022	*OVERALL WEIGHTED AVG. NET RENT Q2 2023
Central	4	1,211,595	0	0%	0	0	0	205,150	N/A	N/A
East	29	5,940,181	0	0.6%	294,000	390,000	327,000	133,735	N/A	$7.45
South	74	25,354,234	0	4.3%	1,039,757	0	0	1,639,391	$5.52	$4.64
West / Southwest	51	13,174,412	0	5.5%	223,530	757,280	348,613	330,537	$4.40	$5.00
Bullitt County	44	21,995,305	0	5.3%	908,329	711,975	0	908,329	$5.02	$6.18
Southern Indiana	40	16,750,674	0	4.1%	1,197,830	1,456,153	169,000	2,677,202	N/A	$5.70
Shelby County	5	965,134	0	0%	0	2,071,239	0	0	N/A	N/A
LOUISVILLE TOTALS	**247**	**85,391,535**	**0**	**4.3%**	**3,663,446**	**5,386,647**	**844,613**	**5,894,344**	**$5.26**	**$5.43**

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Key Lease Transactions – Q2 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
700 International Drive*	1,022,055	Ryder Logistics	Lease	Southern Indiana
458 Pope Farm Blvd.	308,000	Metrie	Lease	Bullitt County
101 Jacobs Way	281,452	Sazerac	Expansion	Southern Indiana
250 River Ridge Parkway	221,115	Kenco	Expansion	Southern Indiana
3195 South Park Road	203,840	WSC Wine Service Co-Op	Lease	South
351 Logistics Ave	169,000	Congo Brands	Lease	Southern Indiana
800 Trey Street	150,000	ATTC Manufacturing	Lease	Southern Indiana
2909 Blankenbaker Road	133,735	Terex	Lease	East
7001 Greenbelt Highway	130,537	Erberspacher	Expansion	West / Southwest

Denotes pre-leasing

Key Sales Transactions – Q2 2023

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
5071 South Preston Highway	1,042,534	Core5 / JLL Income Property Trust	Investment Sale	Bullitt County

INDUSTRIAL SUBMARKETS

Central: Lies within I-264, and is bounded to the north by the Ohio River. Includes the CBD, and offers excellent access to interstates and the airport.

East: Runs along the eastern portion of I-264 down Bardstown Road and extends east. Exceptional highway accessibility makes the submarket ideal for distribution.

South: Located south of I-264 to the Jefferson County Line, and extends east to Bardstown Road and west to National Turnpike.

West/Southwest: Area west of I-264 and National Turnpike and north to the Ohio River. Jefferson Riverport International is located here and maintains a Foreign Trade Zone designation.

Bullitt County: Is bounded by the Jefferson County line on the north and bisected by Interstate 65.

Southern Indiana: Comprises Clark and Floyd counties, including the cities of Jeffersonville, Clarksville and New Albany.

Shelby County: is bounded by the Jefferson County line on the west and is bisected by Interstate 64.

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