

MARKETBEAT LOUISVILLE

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
3.3% Vacancy Rate	▲	▼
4.4M YTD Net Absorption, SF	▲	▼
\$5.65 Asking Rent, PSF	▲	▲
Overall, Net Asking Rent		

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
691.6K Louisville Employment	▲	▲
3.3% Louisville Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

The U.S. economy remains stubbornly resilient despite significant headwinds. Real gross domestic product (GDP) increased at an annual rate of 2.1 percent in the second quarter of 2023, and the current estimate of GDP growth for the third quarter stands at 4.9% according to the Atlanta Fed GDPNow forecast. Meanwhile, non-farm payroll employment increased by 187,000 jobs in August with the U.S. employment rate little changed at 3.7 percent. The labor force participation rate climbed slightly from 62.6% to 62.8%, the highest since February 2020.

Nonetheless, the U.S. economy faces formidable challenges ahead. With oil prices heading north, interest rates rising, credit conditions tightening, student loan repayments resuming, workers going on strike, and broad selloffs in the bond market, the combination of these threats could be the “perfect storm” that finally tips the U.S. economy into recession. Consumer spending continues to be the bright spot, but troubles at home and abroad may undermine consumer confidence later this year and well into 2024.

MARKET OVERVIEW

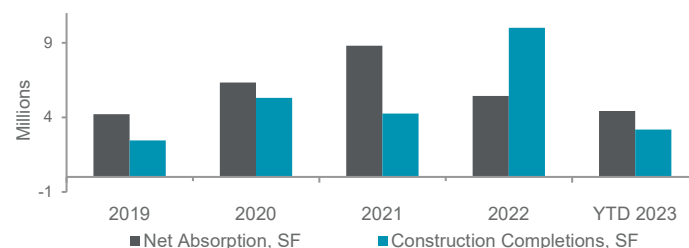
Overall leasing activity during the third quarter totaled 1.3 million square feet (msf), down 65% from the 3.7 msf registered in the second quarter of 2023. However, year-to-date (YTD) leasing activity totaled 7.8 msf, which is 15% higher compared to this time last year. The majority of leasing activity occurred in the Southern Indiana submarket and accounted for 55% of all leasing activity for the quarter.

Overall net absorption for the third quarter totaled 1.0 msf, marking the 33rd consecutive quarter of positive net absorption. The Southern Indiana submarket continued to yield high absorption numbers for the quarter totaling 1.2 msf, due in large part to Ryder Logistics moving into their newly completed 1 msf building. For the first time since 2020, the Bullitt County submarket registered negative absorption of 117,111 sf.

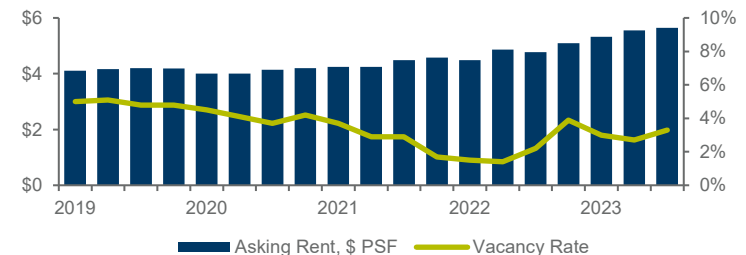
The Louisville market recorded 2.4 msf sf of new construction during the quarter. Over half of the new deliveries occurred in the Southern Indiana submarket, including a fully-leased 1.0 msf sf distribution facility by Van Trust and a 130,500 sf expansion for Genpak. The Bullitt County, West / Southwest, and East submarkets also saw new deliveries this quarter of 711,975 sf, 407,280 sf, and 26,610 sf respectively.

The overall vacancy rate increased during the quarter from 2.7% to 3.3% as several newly vacant speculative buildings were

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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completed. The Shelby County, South, and East submarkets all closed out the quarter with low vacancy rates of 1.1%, 2.2%, and 1% respectively. Additionally, overall average asking rents rose slightly during the quarter from \$5.63 per square foot (psf) to \$5.65 psf.

BULK OVERVIEW

Bulk leasing activity for the third quarter totaled 925,560 sf, significantly lower than the previous two quarters of 2023, but still up year-over-year (YoY). That is likely due to the lack of supply on the market. Nonetheless, YTD leasing activity totaled 6.8 msf, which is on par with what was recorded this time last year. The Bullitt County submarket recorded the most leasing activity during the quarter totaling 430,181 sf, a result of Southern Glazer leasing Core5's newly completed speculative (spec) building. Deal volume in the Southern Indiana submarket was fueled by Genpak's 133,500-sf expansion and the pre-leasing of 150,000 sf in Capstone's newest project by new-to-market Bintelli Golf Carts. Additionally, in the South submarket, Arvato committed to a 98,079 sf lease.

Bulk overall net absorption for the third quarter amounted to 1.1 msf. The Southern Indiana submarket saw the majority of the net absorption at almost 1.2 msf as Ryder Logistics occupied their newly completed 1 msf facility and Genpak occupied their newly completed 130,500 sf expansion. The 1.2 msf of positive absorption was offset by a large vacancy from GameStop in the Bullitt County submarket.

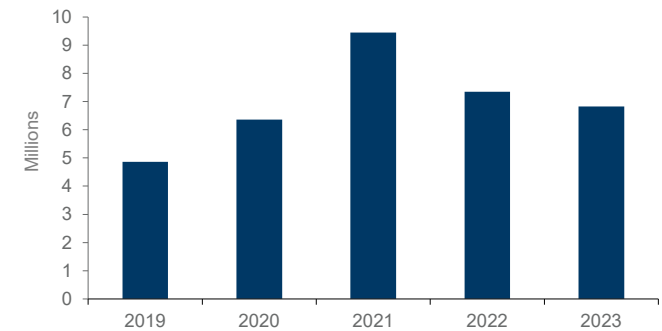
Four new speculative bulk buildings were completed during the quarter totaling over 2.1 msf as well as one build-to-suit (BTS) expansion of 130,500 sf. The Southern Indiana submarket saw the most completions for the quarter totaling 1.2 msf, which included a fully leased spec development from Van Trust and a BTS for Genpak. Meanwhile, in Bullitt County, Browning Investments completed the third building in the Velocity 65 Trade Center™ totaling 711,975 sf. In the West / Southwest submarket, Huntington completed a 164,280 sf spec building and LDG Development completed a 243,000 sf spec building. An additional 867,600 sf of speculative bulk product is expected in the market by the end of the year.

The bulk market yielded an increase of 120 bps in vacancy rates during the quarter, increasing from 4.3% in Q2 to 5.5% in Q3. The Bullitt County and West / Southwest submarket had the largest increases due to vacancies in newly completed spec product, as well as Gamestop vacating their 631,336 sf facility in Bullitt County. The East, Central, and Shelby County submarkets all currently have a bulk vacancy rate of 0%.

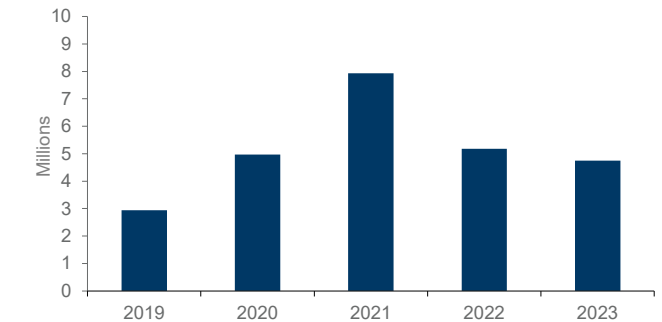
OUTLOOK

- Expect vacancy rates to decrease due to lack of available product and construction starts.
- Uncertainty from elongated UAW strikes may exert downward pressure on market fundamentals.
- Deal rates will continue to increase due to healthy demand in the speculative market.
- The Louisville market has already surpassed the 5-year average with 6.8 msf of leasing activity YTD. We anticipate demand to continue to outpace deliveries as there is only 2.7 msf of available speculative product under construction.

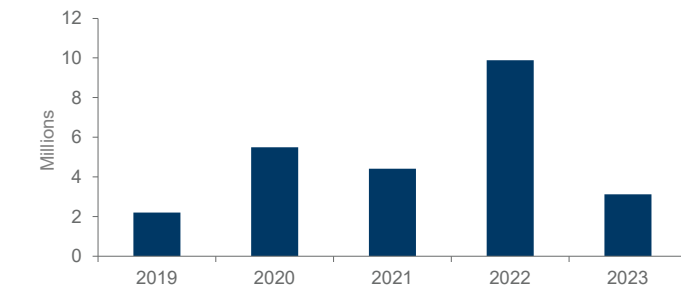
YTD Leasing Activity – Bulk (square feet)



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 (WD)
Central	424	21,191,564	175,877	3.3%	-111,733	0	0	269,367	\$4.86	\$8.81	\$6.50
Downtown	219	9,993,675	61,240	5.7%	-96,327	0	0	215,150	\$4.24	\$5.35	\$6.50
I-64	60	1,860,523	0	3.1%	-23,753	0	0	2,500	\$8.50	\$11.12	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	421	27,811,860	360,887	1.0%	201,815	727,750	356,610	489,018	\$6.64	\$9.44	\$7.84
Jeffersontown	295	13,848,942	55,442	1.7%	218,958	727,500	356,610	324,521	\$6.64	\$8.21	\$8.25
Middletown / Eastpoint	84	3,920,421	244,162	1.0%	-23,974	0	0	124,666	N/A	\$13.62	\$7.10
Westport Road	42	10,042,497	61,283	0.0%	6,831	0	0	39,831	N/A	N/A	N/A
South	541	60,714,201	0	2.2%	1,074,238	0	70,200	2,185,540	\$6.48	\$8.76	\$4.57
Airport	196	33,488,146	0	1.0%	983,070	0	70,200	1,796,737	\$6.48	N/A	\$5.36
Bishop Lane	217	9,531,673	0	0.4%	104,968	0	0	155,495	N/A	\$9.28	N/A
Fern Valley	128	17,694,382	0	5.3%	-13,800	0	0	233,308	N/A	\$8.50	\$4.40
West / Southwest	190	24,031,116	30,640	5.1%	208,937	414,000	755,893	334,567	N/A	N/A	\$5.40
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	121	19,731,549	11,782	5.7%	224,530	414,000	755,893	334,567	N/A	N/A	\$5.59
Westend	62	4,051,543	18,858	2.4%	-15,593	0	0	0	N/A	N/A	\$2.75
Bullitt County	78	25,041,401	0	8.4%	781,018	0	711,975	1,338,510	\$11.73	N/A	\$5.86
Southern Indiana	275	31,351,412	53,737	2.6%	2,342,385	953,678	1,409,055	3,096,370	\$5.00	\$18.00	\$5.82
Floyd County	93	5,362,313	53,737	0.2%	0	0	0	71,625	N/A	N/A	\$4.00
Clark County	182	25,989,099	0	3.1%	2,342,385	953,678	1,409,055	3,024,745	\$5.00	\$18.00	\$5.84
Shelby County	90	7,698,637	0	1.1%	-85,000	2,529,739	0	80,000	N/A	\$9.00	N/A
LOUISVILLE TOTALS	2,019	197,840,191	621,141	3.3%	4,411,660	4,625,167	3,300,733	7,793,372	\$5.48	\$10.88	\$5.49

*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 2022	*OVERALL WEIGHTED AVG. NET RENT Q3 2023
Central	4	1,211,595	0	0%	0	0	0	205,150	N/A	N/A
East	29	5,940,181	0	0%	327,000	523,735	327,000	250,535	\$8.25	N/A
South	74	25,354,234	754,790	3.7%	1,137,836	0	0	1,737,470	\$5.01	\$4.64
West / Southwest	53	13,581,692	0	8.3%	223,530	350,000	755,893	330,537	\$4.55	\$5.64
Bullitt County	45	22,707,280	1,042,534	9.0%	707,174	0	711,975	1,338,510	\$4.99	\$5.91
Southern Indiana	41	17,903,229	0	3.9%	2,350,385	904,406	1,321,555	2,957,702	\$4.58	\$5.83
Shelby County	5	965,134	0	0%	0	2,459,739	0	0	N/A	N/A
LOUISVILLE TOTALS	251	87,663,345	1,797,324	5.5%	4,745,925	4,237,880	3,116,423	6,819,904	\$4.87	\$5.54

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Key Lease Transactions – Q3 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
316 Clermont Road	430,181	Southern Glazer	Lease	Bullitt County
8401 Air Commerce Drive	315,147	Koch Filter	Renewal	South
345 International Blvd.	236,554	Best Buy	Renewal	Bullitt County
419 Park Loop Court	200,942	Saddle Creek Logistics	Renewal	Bullitt County
420 International Blvd.	161,000	UPS Supply Chain Solutions	Renewal	Bullitt County
1053 Trey Street*	150,000	Bintelli Golf Carts	Lease	Southern Indiana
251 Paul Garrett Avenue	130,500	Genpak	Expansion	Southern Indiana
Buck Creek Road/Shady Rays*	75,000	Shady Rays	Lease	Shelby County
7715 National Tpke.	64,000	Acuity Packaging	Renewal	South

*Denotes pre-leasing

Key Sales Transactions – Q3 2023

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
8401 Air Commerce Drive	315,147	Koch Filter / Transwestern	Investment	South
264-266 Eiler Avenue	439,643	Xebec / Wild Makers Envy Mage	Investment	South
4701 Allmond Avenue	152,140	Precision Metal Works / Legacy West	Investment	South

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

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