

Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
3.9% Vacancy Rate	▲	▲
5.2M YTD Net Absorption, SF	▲	▲
\$5.66 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC OVERVIEW

The U.S. economy performed better than expected in 2023, defying widely-held expectations that a recession was imminent. Real gross domestic product (GDP) increased at an annual rate of 4.9% in the third quarter of 2023, an astonishing 18.1% bounce-back since the onset of the COVID-19 pandemic. According to the Atlanta Fed GDPNow forecast, the current estimate of GDP growth for the fourth quarter stands at 2.5%. Meanwhile, non-farm payroll employment increased by 199,000 in November while the U.S. unemployment rate remained unchanged at 3.7%. The labor force participation rate remained steady at 62.8%, which is seasonally adjusted.

The US Federal Reserve's latest forecast projects inflation to decrease to 2% without much impact on the job market or economy. However, the trade-off between lowering inflation and impairing growth will be challenging. In 2024, many commercial property owners will roll over billions in maturing loans in a higher interest rate environment than originally established. There is concern that some sponsors could simply walk away from their mortgages and return properties to lenders, which could result in real trouble for the banking sector. According to a recent National Bureau of Economic Research Study, commercial real estate troubles could lead to bankruptcy for 385 small and mid-size banks if interest rates remain at their current levels.

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
694.9K Louisville Employment	▲	▲
3.8% Louisville Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

MARKET OVERVIEW

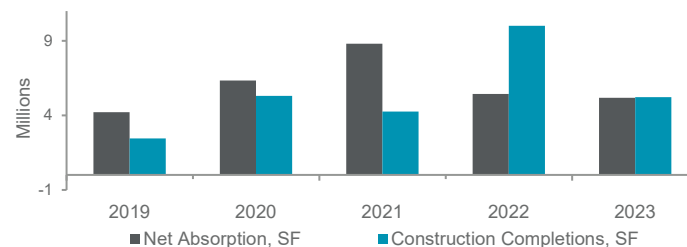
Overall leasing activity during the fourth quarter totaled 2.8 million square feet (msf), more than doubling the 1.3 msf recorded during the third quarter and bringing the year-to-date (YTD) total to 10.5 msf, 13% higher than the end of year 2022. The majority of fourth quarter leasing activity occurred in the Southern Indiana submarket accounting for 41% of all leasing activity for the quarter.

Overall net absorption for the fourth quarter totaled 762,213 sf, marking the 34th consecutive quarter of positive net absorption. The Southern Indiana submarket continued to yield high absorption numbers for the quarter totaling 352,270 sf, due in large part to Rush Group Limited leasing and occupying 417,270 sf in Silver Creek Logistics Center Building B.

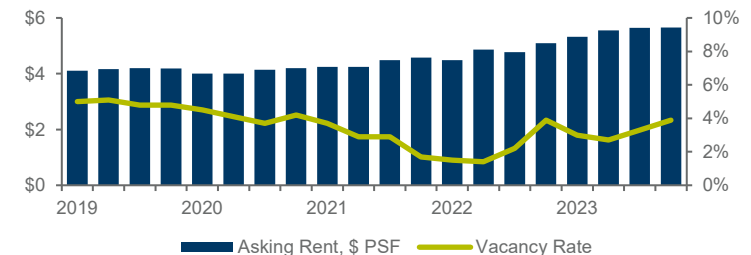
There were 2.0 msf of new construction during the quarter, with over half of the new deliveries occurring in the Shelby County submarket as Kansas-based Flint Development wrapped up construction of their I-64 Logistics Center totaling 1.5 msf on 115 acres.

The overall vacancy rate increased during the quarter from 3.3% to 3.9% as several new speculative buildings were delivered vacant. The East submarket closed out the quarter with the lowest vacancy rate of 0.6%. Additionally, overall average rental

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: BLS



rental rates rose slightly during the quarter from \$5.65 per square foot (psf) to \$5.66 psf. This minimal increase is likely due to the recent availability in second generation buildings.

BULK OVERVIEW

Bulk leasing activity for the fourth quarter totaled 2.3 msf bringing the YTD total to 9.2 msf, 6.5% higher than one year ago. The Southern Indiana submarket recorded the most leasing activity during the quarter of 1.1 msf. Deal volume in the Southern Indiana submarket was fueled by several full-building commitments, including a 434,000-sf lease by Rush Group Limited. Other notable leases for the quarter included a 240,000-sf pre-lease from Packsize International in the East, and a 243,000-sf lease by Corona Tools in the West / Southwest submarket.

Bulk overall net absorption for the fourth quarter amounted to 535,294 sf, significantly down from prior quarters this year and down 78% YoY. Nonetheless, the Louisville bulk market managed 5.3 msf of overall net absorption for the year. Once again, the Southern Indiana submarket reported the majority of the net absorption at 367,270 sf.

Four bulk buildings were completed during the quarter totaling over 1.9 msf. As previously mentioned, the Shelby County submarket saw two speculative completions from Flint Development totaling 1.5 msf and one build-to-suit for Shady Rays from Hollenbach-Oakley of 105,000 sf. The Southern Indiana submarket wrapped up construction on a speculative development of 303,598 sf by Platform Real Estate. For the first time since 2019, there were no construction completions recorded in the Bullitt County submarket. Additionally, the South submarket recorded zero completions for the year for the first time since we began tracking the bulk market in 2016.

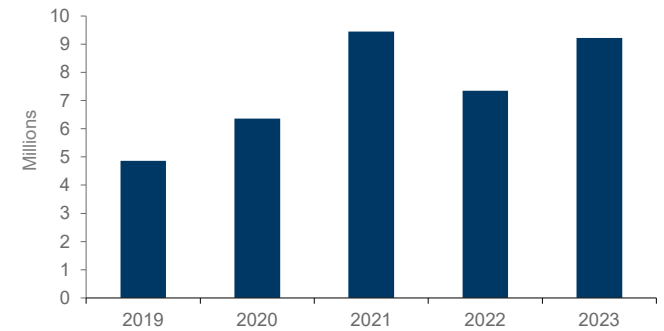
Several new bulk developments are in the works as Hunt Midwest announced plans to move forward with their 300-acre development in the Shelby County submarket, and The Cheesecake Factory announced plans to open a manufacturing/distribution facility in the Southern Indiana submarket.

The bulk market yielded an increase of 150 bps in vacancy rates during the quarter, climbing from 5.5% in Q3 to 7.0% in Q4. The Shelby County submarket recorded a 60.0% vacancy rate, the largest increase across all submarkets. This was due to the vacant completion of the I-64 Logistics Center, totaling 1.5 msf. 1.1 msf of the total is under contract to sell to EnerVenue later this year. Both the East and Central submarkets ended the year with a vacancy rate of 0.0%.

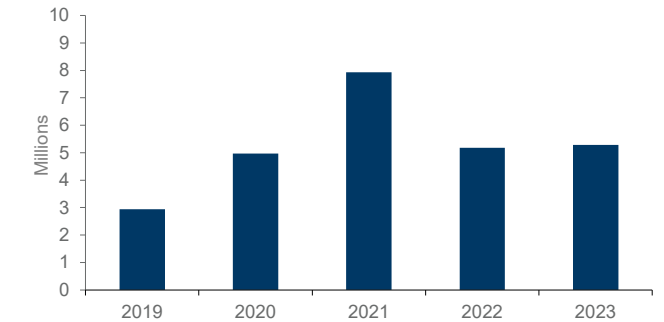
OUTLOOK

- Expect investment activity to gain momentum in the second half of 2024 and into 2025 as the economy and interest-rate future becomes clearer.
- With only 1.4 msf in the speculative construction pipeline and continued strong demand, expect vacancy rates to decrease and rental rates to increase.
- Moderate rent growth is projected throughout 2024 as demand may outpace supply.
- As the market continues to tighten, construction activity is anticipated to rise as developers continue to look for the next land opportunity.

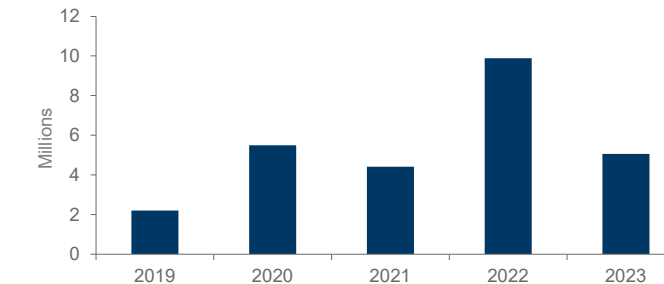
YTD Leasing Activity – Bulk (square feet)



YTD Net Absorption – Bulk (square feet)



YTD Construction Completions – Bulk (square feet)



MARKETBEAT LOUISVILLE

Industrial Q4 2023

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	21,188,044	206,597	3.3%	-121,172	27,526	0	761,883	\$4.61	\$8.12	\$6.50
Downtown	219	9,990,155	73,960	6.1%	-139,282	0	0	724,546	\$4.14	\$5.35	\$6.50
I-64	60	1,860,523	18,000	1.3%	9,763	0	0	22,837	N/A	\$11.18	N/A
I-65	145	9,337,366	114,637	0.8%	8,347	27,526	0	14,500	\$7.70	N/A	N/A
East	421	27,809,675	360,887	0.6%	340,369	705,735	385,625	903,909	\$6.76	\$9.64	N/A
Jeffersontown	295	13,846,757	55,442	1.0%	355,012	695,735	385,625	716,912	\$6.71	\$8.60	N/A
Middletown / Eastpoint	84	3,920,421	244,162	0.9%	-21,474	10,000	0	147,166	\$7.00	\$13.62	N/A
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	32,451	2.3%	977,426	0	70,200	2,577,733	\$6.89	\$9.28	\$4.73
Airport	196	33,488,146	0	0.7%	1,076,134	0	70,200	1,899,761	\$6.48	N/A	\$6.08
Bishop Lane	217	9,531,673	14,832	0.9%	56,012	0	0	181,039	\$9.00	\$9.28	\$7.75
Fern Valley	128	17,694,382	17,619	6.1%	-154,750	0	0	496,933	N/A	N/A	\$4.54
West / Southwest	190	24,031,116	50,500	4.7%	303,907	414,000	755,893	620,237	\$6.50	N/A	\$5.36
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	121	19,731,549	11,782	5.1%	339,530	414,000	755,893	615,067	\$6.50	N/A	\$5.57
Westend	62	4,051,543	38,718	2.9%	-35,623	0	0	5,170	N/A	N/A	\$3.37
Bullitt County	78	25,041,401	0	8.2%	833,688	0	711,975	1,338,510	\$11.73	N/A	\$6.05
Southern Indiana	276	31,655,010	73,218	2.4%	2,694,655	900,080	1,582,153	4,236,379	\$5.00	\$18.00	\$6.14
Floyd County	93	5,362,313	73,218	0.0%	10,000	0	0	71,625	N/A	N/A	N/A
Clark County	183	26,292,697	0	2.9%	2,684,655	900,080	1,582,153	4,164,754	\$5.00	\$18.00	\$6.14
Shelby County	94	9,403,006	0	16.6%	145,000	824,308	1,705,431	144,855	N/A	N/A	\$5.44
LOUISVILLE TOTALS	2,024	199,842,453	723,653	3.9%	5,173,873	2,871,649	5,211,277	10,583,506	\$5.40	\$11.12	\$5.56

*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 2023	*OVERALL WEIGHTED AVG. NET RENT Q4 2023
Central	4	1,211,595	0	0.0%	0	0	0	639,150	N/A	N/A
East	29	5,940,181	0	0.0%	327,000	523,735	327,000	490,535	N/A	N/A
South	74	25,354,234	754,790	4.2%	1,095,860	0	0	1,977,470	\$4.64	\$4.75
West / Southwest	53	13,581,692	0	7.3%	358,530	350,000	755,983	611,037	\$5.64	\$5.67
Bullitt County	45	22,707,280	1,042,534	9.0%	707,174	0	711,975	1,338,510	\$5.91	\$6.05
Southern Indiana	42	18,206,827	468,635	3.4%	2,717,655	850,808	1,625,153	4,081,972	\$5.83	\$5.94
Shelby County	8	2,600,565	0	60%	75,000	824,308	1,635,431	75,000	N/A	\$5.50
LOUISVILLE TOTALS	255	89,602,374	2,265,959	7.0%	5,281,219	2,548,851	5,055,542	9,213,674	\$5.54	\$5.58

MARKETBEAT LOUISVILLE

Industrial Q4 2023

Key Lease Transactions – Q4 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
250 Hilton Drive	592,800	CEVA	Lease	Southern Indiana
1391 Dixie Highway	434,000	Stellar Snacks	Lease	Central
7803 Highway 31 East	417,170	Rush Group	Lease	Southern Indiana
7665 National Turnpike	415,480	Sealed Air	Renewal	South
6101 Cane Run Road	310,552	DHL	Renewal	West / Southwest
5607 National Turnpike	285,000	Tennant Company	Renewal	South
13919 Bohannon Avenue	243,000	Corona Tools	Lease	West / Southwest
13101 Plantside Drive*	240,000	Packsize International	Lease	East
6001 Global Distribution Way	240,000	GE	Sublease	South

*Denotes pre-leasing

Key Sales Transactions – Q4 2023

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
250 River Ridge Parkway	468,635	US Capital / Stolz RE Partners	Investment Sale	Southern Indiana

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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