

## Industrial Q1 2024

**4.6%**  
Vacancy Rate



**-314K**  
YTD Net Absorption, SF



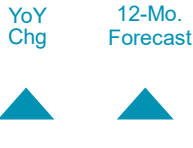
**\$5.72**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q1 2024

**696.7K**  
Louisville Employment



**3.9%**  
Louisville Unemployment Rate



**3.8%**  
U.S. Unemployment Rate



Source: BLS

### ECONOMIC OVERVIEW

Many economists are optimistic that the U.S. economy may have achieved a “soft landing” in 2023. Nevertheless, a downshift in economic performance is expected in 2024 as pockets of the economy experience a mini-recession. Real gross domestic product (GDP) increased at an annual rate of 3.4% in the fourth quarter of 2023, reflecting an increase in consumer spending. According to the Atlanta Fed GDPNow forecast, the current estimate of GDP growth for the first quarter of 2024 stands at 2.5%. Meanwhile, non-farm payroll employment increased by 303,000 in March, exceeding economists’ previous expectations. The U.S. unemployment rate increased minimally to 3.8% with the labor force participation rate remaining steady at 62.7%. Congressional elections this fall may put higher scrutiny on spending which could affect the economy and Commercial Real Estate sector.

Given the strong growth in non-farm payroll employment reported in March, stubborn inflation, and rising oil prices, the Federal Reserve has suggested interest-rate cuts may not be imminent despite earlier projections for three rate cuts this year. Although upward pressure on wages has subsided somewhat, largely due to a strong rebound in immigration, the focus going forward will likely be on the inflation rate, GDP growth, and consumer spending as determinants of the timing and magnitude of interest rate cuts.

### MARKET OVERVIEW

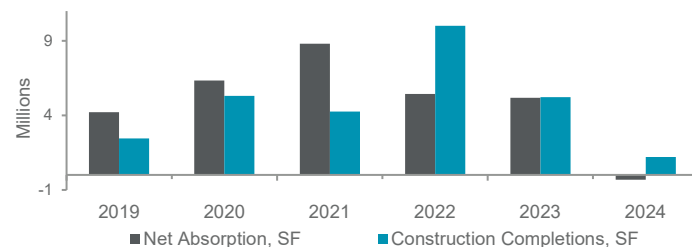
Overall leasing activity during the first quarter totaled 1.6 million square feet (msf), down significantly year-over-year (YoY) from the 2.8 msf recorded in Q1 2023. The majority of leasing activity occurred in the Southern Indiana submarket, accounting for 26% of all activity for the quarter.

Overall net absorption for the quarter totaled negative 313,540 sf, ending 34 consecutive quarters of positive net absorption. The East submarket yielded high absorption numbers for the quarter of over 400,000 sf due to the completion of Blankenbaker Logistics I & II, a two-building campus totaling 390,000 sf. Both buildings were pre-leased and occupied upon completion.

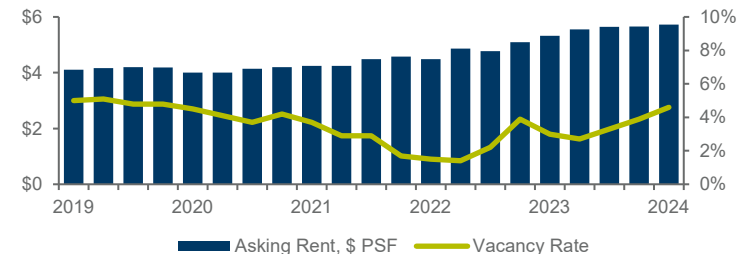
Construction completions for the quarter totaled 1.2 m sf, spread across the East, West / Southwest, Southern Indiana, and Shelby County submarkets. There is currently just over 2.0 msf of new product under construction, with the majority concentrated in the Shelby County submarket.

During the quarter, the overall vacancy rate registered an increase of 70 basis points (bps) from 3.9% to 4.6%. This was due to the delivery of several new speculative buildings, some of which were vacant, as well as existing space coming back online.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT





Industrial Q1 2024

**BULK OVERVIEW**

Bulk leasing activity for the quarter totaled 1.1 msf, a 65% decrease from one year ago. The Southern Indiana submarket continued to see the majority of leasing activity totaling 353,598 sf, 33% of the total for the quarter. Deal volume in the Southern Indiana submarket was fueled by a full-building commitment by CTDI on Platform Real Estate's newly completed 303,598-sf warehouse/distribution facility. Other notable leases for the quarter included a 150,000-sf pre-lease from Amazon in the East submarket, and a 250,000-sf lease by Device Service Group in the West / Southwest submarket.

Bulk overall net absorption for the first quarter amounted to negative 130,083 sf as vacancies outpaced demand for the first time since we began tracking bulk in 2016. The East, Southern Indiana and Shelby County submarkets all recorded positive absorption for the quarter totaling 660k sf, only to be offset by large vacancies from Material Handling Systems in the Bullitt County submarket, Ryder Logistics and Material Handling Systems in the South submarket, Greif in the West / Southwest submarket, and idX in the Southern Indiana submarket for a combined total of 1.1 msf.

Five bulk buildings were completed during the quarter totaling over 1.2 msf. As previously mentioned, the East submarket saw two speculative completions from Roebling Development totaling 390k sf, Delcour completed 350k sf in the West / Southwest submarket, Capstone completed their partially leased 300k sf facility in Southern Indiana, and LaCroix Development completed their first warehouse/distribution facility totaling 160,808 sf in the Shelby County submarket. The Bullitt County and South submarkets continued to record zero completions for the quarter.

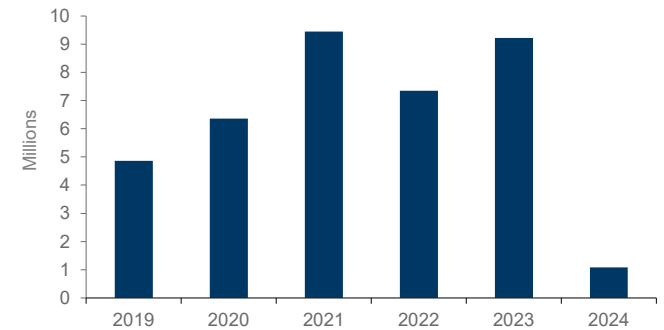
Several new bulk developments are in the works as Meta announced plans to invest \$800M in a 700k sf data facility in Southern Indiana. Additionally, LDG Development began work on a 426,300-sf warehouse/distribution building in their Park South Development located in the Bullitt County submarket, and another 181,800-sf facility in Riverport Phase V, located in the West / Southwest submarket.

The bulk market yielded an increase of 140 bps in vacancy rates during the quarter, climbing from 7.0% in Q4 2023 to 8.4% in Q1 2024. The Shelby County submarket continues to hold a high vacancy rate, climbing 120 basis points to 61.2%. As the two I-64 Logistics Center buildings completed in Q4 2023 remain vacant, contributing to the rise was the completion of LaCroix Developments' 160,808-sf facility. Both the East and Central submarkets remain fully occupied.

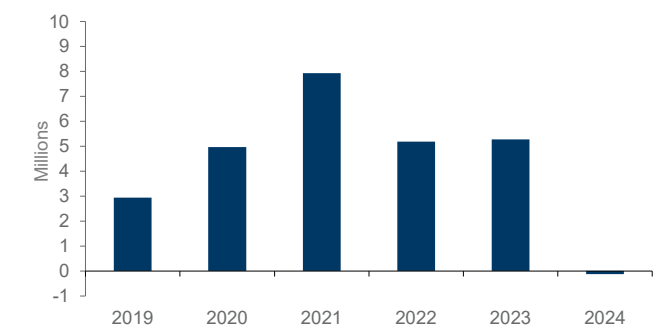
**OUTLOOK**

- With approximately 7 msf of vacant space, expect few new construction starts for the remainder of 2024.
- With new groundbreakings anticipated to remain muted, expect vacancy to begin to improve as the current vacant space is absorbed in the coming quarters.
- The majority of the under-construction pipeline will be delivered by mid-summer, which could lead to the market becoming somewhat supply-constrained in 2025.

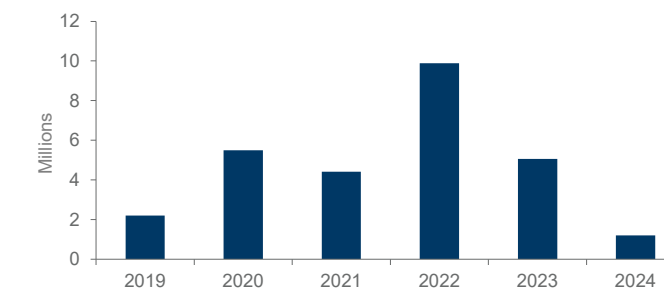
**YTD Leasing Activity – Bulk (square feet)**



**YTD Net Absorption – Bulk (square feet)**



**YTD Construction Completions – Bulk (square feet)**



# MARKETBEAT LOUISVILLE

## Industrial Q1 2024

### 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)
<b>Central</b>	<b>424</b>	<b>21,188,044</b>	<b>0</b>	<b>3.0%</b>	<b>65,772</b>	<b>27,526</b>	<b>0</b>	<b>345,152</b>	<b>\$4.09</b>	<b>\$7.94</b>	<b>\$6.50</b>
Downtown	219	9,990,155	0	5.7%	42,479	0	0	0	\$3.94	\$5.35	\$6.50
I-64	60	1,860,523	0	0.7%	10,153	0	0	312,759	N/A	\$13.00	N/A
I-65	145	9,337,366	0	0.6%	13,140	27,526	0	16,640	\$6.00	N/A	N/A
<b>East</b>	<b>423</b>	<b>28,199,675</b>	<b>64,072</b>	<b>0.5%</b>	<b>417,900</b>	<b>327,735</b>	<b>390,000</b>	<b>257,120</b>	<b>\$8.58</b>	<b>\$9.48</b>	<b>\$8.51</b>
Jeffersontown	297	14,236,757	64,072	0.7%	425,400	305,735	390,000	289,688	\$8.58	\$8.63	\$9.65
Middletown / Eastpoint	84	3,920,421	0	1.1%	-7,500	22,000	0	82,285	N/A	\$13.62	\$8.15
Westport Road	42	10,042,497	0	0%	0	0	0	0	N/A	N/A	N/A
<b>South</b>	<b>541</b>	<b>60,709,944</b>	<b>0</b>	<b>3.2%</b>	<b>-557,919</b>	<b>41,200</b>	<b>0</b>	<b>77,719</b>	<b>\$6.43</b>	<b>\$7.17</b>	<b>\$5.23</b>
Airport	195	33,472,186	0	1.9%	-404,111	0	0	9,027	\$6.34	N/A	\$6.40
Bishop Lane	217	9,531,673	0	1.2%	-23,558	41,200	0	58,942	\$8.18	\$7.17	\$8.64
Fern Valley	129	17,706,085	0	6.9%	-130,250	0	0	9,750	N/A	N/A	\$4.68
<b>West / Southwest</b>	<b>191</b>	<b>24,381,116</b>	<b>0</b>	<b>6.1%</b>	<b>-12,181</b>	<b>245,800</b>	<b>350,000</b>	<b>350,000</b>	<b>N/A</b>	<b>N/A</b>	<b>\$5.71</b>
Iroquois	7	248,024	0	0	0	0	0	0	N/A	N/A	N/A
Riverport	122	20,081,549	0	7.2%	-92,181	245,800	350,000	270,000	N/A	N/A	\$5.71
Westend	62	4,051,543	0	0.9%	80,000	0	0	80,000	N/A	N/A	\$5.67
<b>Bullitt County</b>	<b>78</b>	<b>25,041,401</b>	<b>449,840</b>	<b>9.2%</b>	<b>-256,500</b>	<b>426,300</b>	<b>0</b>	<b>0</b>	<b>\$11.73</b>	<b>N/A</b>	<b>\$6.10</b>
<b>Southern Indiana</b>	<b>277</b>	<b>32,092,970</b>	<b>75,110</b>	<b>2.8%</b>	<b>175,951</b>	<b>300,000</b>	<b>300,000</b>	<b>412,410</b>	<b>N/A</b>	<b>\$18.00</b>	<b>\$5.54</b>
Floyd County	93	5,500,273	0	0	0	0	0	0	N/A	N/A	N/A
Clark County	184	26,592,697	75,110	3.4%	175,951	300,000	300,000	412,410	N/A	\$18.00	\$5.54
<b>Shelby County</b>	<b>95</b>	<b>9,563,814</b>	<b>0</b>	<b>19.5%</b>	<b>-146,563</b>	<b>663,500</b>	<b>160,808</b>	<b>30,000</b>	<b>\$5.00</b>	<b>N/A</b>	<b>\$5.64</b>
<b>LOUISVILLE TOTALS</b>	<b>2,029</b>	<b>201,176,964</b>	<b>589,022</b>	<b>4.6%</b>	<b>-313,540</b>	<b>2,032,061</b>	<b>1,200,808</b>	<b>1,587,254</b>	<b>\$4.98</b>	<b>\$11.04</b>	<b>\$5.70</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 2023	*OVERALL WEIGHTED AVG. NET RENT Q1 2024
Central	4	1,211,595		0.0%	0	0	0	298,000	N/A	N/A
East	31	6,330,181		0.0%	390,000	133,735	390,000	150,000	N/A	N/A
South	74	25,354,234		5.9%	-425,000	0	0	0	\$4.75	\$5.03
West / Southwest	54	13,931,692		10.4%	-112,181	181,800	350,000	250,000	\$5.67	\$5.71
Bullitt County	45	22,707,280		10.1%	-256,500	426,300	0	0	\$6.05	\$6.10
Southern Indiana	42	18,218,827		3.7%	243,598	250,000	300,000	353,598	\$5.94	\$5.65
Shelby County	9	2,761,373		61.2%	30,000	663,500	160,808	30,000	\$5.50	\$5.64
<b>LOUISVILLE TOTALS</b>	<b>255</b>	<b>90,515,182</b>		<b>8.4%</b>	<b>-130,083</b>	<b>1,655,335</b>	<b>1,200,808</b>	<b>1,081,598</b>	<b>\$5.58</b>	<b>\$5.67</b>

# MARKETBEAT LOUISVILLE

## Industrial Q1 2024

### Key Lease Transactions – Q1 2024

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1651 Penny Martin Lane	303,598	CTDI	Lease	Southern Indiana
5607 National Turnpike	285,000	Tennant Company	Renewal	South
7300 Intermodal Drive	250,000	Device Service Group	Lease	West / Southwest
1391 Dixie Highway	214,000	Hydra Warehouse of Louisville	Sublease	Central
13051 Plantside Drive*	150,000	Amazon	Lease	East
1391 Dixie Highway	84,000	Hydra Warehouse of Louisville	Sublease	Central
1344 Beech Street	84,000	MMY Global	Lease	Westend
1733 Research Drive	66,835	Vivid Impact	Lease	East
10501 Bunsen Way	60,000	Diversified Automation	Lease	East

\*Denotes pre-leasing

### Key Sales Transactions – Q1 2024

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
316 Clermont Road	430,181	Core5/Southern Glazer	User Sale	Bullitt County
12001 Plantside Drive	64,072	Creekside North Real Estate/Unipak	User Sale	East
200 Lentz Avenue	61,600	RLF III Central/Dayton Freight Lines	User 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.

### KRISTINE MCFARLAND

Research Analyst

Tel: +1 502 589 5150

[kmcfarland@commercialkentucky.com](mailto:kmcfarland@commercialkentucky.com)

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