

Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
4.2% Vacancy Rate	▲	▼
1.3M YTD Net Absorption, SF	▲	▲
\$5.96 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC OVERVIEW

While 2024 opened with economists feeling optimistic, the midway point has left many with a feeling of uncertainty. 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 1.4% in the first quarter of 2024, reflecting an increase in consumer spending. According to the Atlanta Fed GDP Now forecast, the current estimate of GDP growth for the second quarter stands at 1.5%. Meanwhile, non-farm payroll increased by 207,000 in June which was down 5.5% from May and down 14.2% from one year ago. The U.S. unemployment rate increased to 4.1% with the labor force participation rate remaining steady at 62.6%. The Louisville unemployment rate also rose during the second quarter from 3.9% to 4.0%.

All eyes are now focused on the Federal Reserve relative to whether we may expect a rate cut at the September meeting as the Fed faces the tough choice between lowering the interest rates to stimulate the economy or holding firm to curb inflation.

MARKET OVERVIEW

Overall leasing activity during the second quarter totaled 2.1 million square feet (msf) bringing year-to-date (YTD) leasing activity to 3.7 msf. This is down significantly from the 3.7 msf recorded in Q2 2023 and the 6.5M sf year-over-year (YoY). The majority of leasing activity occurred in the Bullitt County submarket, accounting for 46% of all activity for the quarter.

Overall net absorption for the second quarter totaled 1.6 msf, bouncing back after negative net absorption in the first quarter. Two submarkets yielded the highest absorption numbers for the quarter of nearly 800,000 sf in the South due to Amazon backfilling a sublease off Minor Lane as well as 711,000 sf in Bullitt County where Arvato moved into their building on Velocity Way.

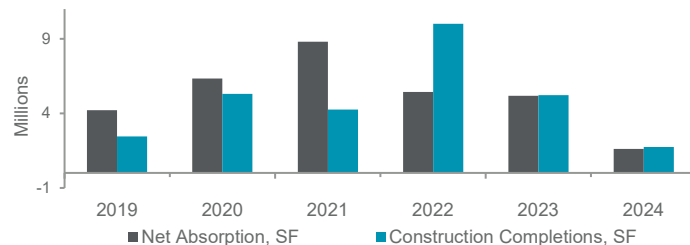
Construction completions for the quarter totaled just over 705,000 sf across Southern Indiana, Shelby County, and the East submarkets. There is currently 3.2 msf of new product under construction, down significantly from 5.8 msf from Q2 of last year. Southern Indiana's 2.3 msf under construction is more than any other submarket.

During the quarter, the overall vacancy rate saw a decrease of 40 basis points (bps) from 4.6% to 4.2%. This was due mainly to the reabsorption of the large sublease mentioned above in the South submarket, and a large occupancy by Arvato in the Bullitt County submarket.

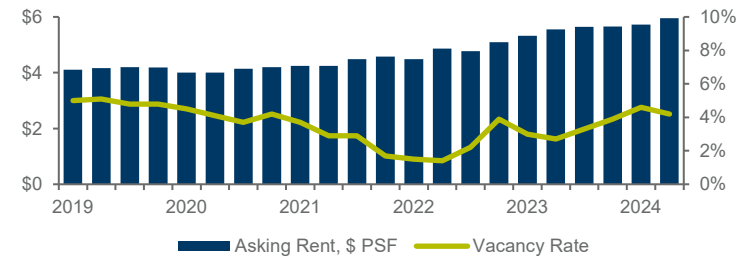
ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
698.3K Louisville Employment	▲	▲
4.0% Louisville Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: BLS



BULK OVERVIEW

Bulk leasing activity for the quarter totaled 1.9 msf bringing the YTD total to 3 msf, compared to 5.9 msf at the end of Q2 2023. The Bullitt County submarket saw the majority of leasing activity totaling 996,000 sf as Arvato leased 712,000 sf in the Velocity 65 Trade Center™ and Vista Packaging leased 284,000 sf. Other notable leases for the quarter included two sale/leasebacks, one in the Southern Indiana submarket totaling 250,000 sf as Exeter purchased Bluegrass Supply Chain’s newly completed building and one in the West / Southwest submarket totaling 519,000 sf as Weston purchased Wolverine’s building.

Bulk overall net absorption achieved 1.7 msf of positive absorption, bringing the YTD total to 1.6 msf. The biggest contributors were the aforementioned Arvato occupancy in Bullitt County and the Amazon backfill in the South submarket.

Two bulk buildings were completed during the second quarter totaling over 533,000 sf. Bluegrass Supply Chain completed and moved into their 250,000-sf building in Southern Indiana and Gray Construction finished their 283,000-sf speculative building in Shelby County.

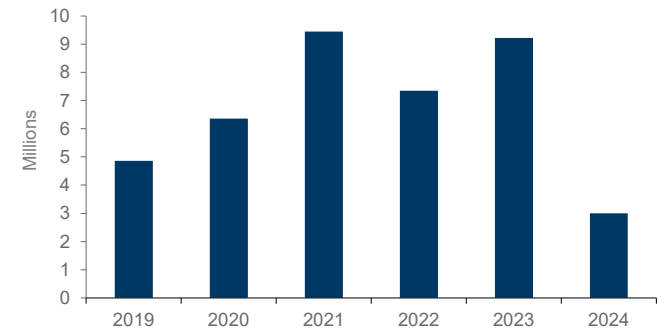
Several new bulk developments are in the works as Meta announced plans to invest \$800M in a 700,000-sf data facility in Southern Indiana. Additionally, LDG Development began work on a 426,000-sf warehouse/distribution building in their Park South Development located in the Bullitt County submarket. Scannell Properties and America Place started new construction in River Ridge this quarter, with Scannell Properties entering the Louisville market for the first time.

The bulk market generated a decrease of 150 bps in vacancy rates during the quarter, plunging from 8.4% in Q1 2024 to 6.9% in Q2 2024. The Shelby County submarket continues to hold a high vacancy rate as the two I-64 Logistics Center buildings completed in Q4 2023 remain vacant. Both the East and Central submarkets remain fully occupied.

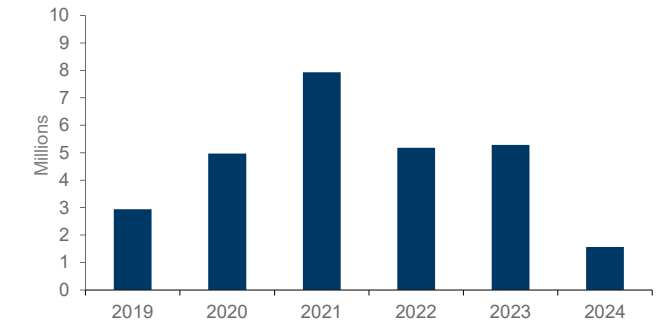
OUTLOOK

- Despite gradually increasing rental rates, continued uncertainty within debt markets and high construction costs will limit speculative construction.
- New bulk inventory will increase by less than 1% by year end 2024.
- The overall and bulk vacancy rates will continue to decrease for the foreseeable future.

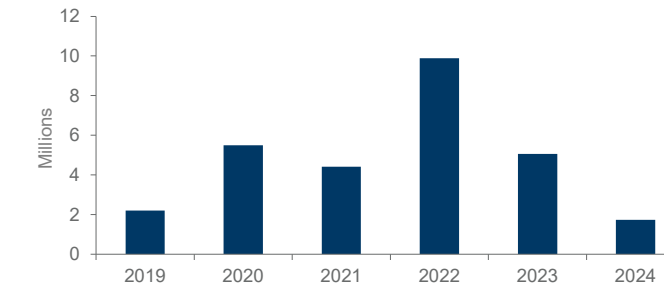
YTD Leasing Activity – Bulk (square feet)



YTD Net Absorption – Bulk (square feet)



YTD Construction Completions – Bulk (square feet)



MARKETBEAT LOUISVILLE

Industrial Q2 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)
Central	42	21,213,420	0	3.4%	-16,678	27,526	0	348,302	\$4.80	\$8.93	\$8.04
Downtown	220	10,015,531	0	5.7%	42,479	0	0	312,759	\$4.58	\$6.00	\$6.77
I-64	60	1,860,523	0	2.7%	-26,097	0	0	15,753	\$6.96	\$14.65	\$8.40
I-65	145	9,337,366	0	1.1%	-32,860	27,526	0	19,790	\$5.70	N/A	N/A
East	429	28,347,375	64,072	0.7%	510,836	221,735	532,000	438,176	\$9.50	\$12.32	\$8.50
Jeffersontown	298	14,326,457	64,072	0.9%	491,036	221,735	474,000	346,591	\$9.50	\$11.66	\$8.29
Middletown / Eastpoint	89	3,978,421	0	1.7%	23,800	0	58,000	91,585	N/A	\$13.45	\$8.95
Westport Road	42	10,042,497	0	0%	-4,000	0	0	0	N/A	\$8.99	N/A
South	541	60,716,507	0	1.9%	241,719	41,200	0	230,540	\$7.53	N/A	\$7.10
Airport	195	33,478,749	0	2.3%	-548,274	0	0	31,527	\$7.39	N/A	7.31
Bishop Lane	217	9,531,673	0	0.8%	12,069	41,200	0	132,811	\$9.27	N/A	N/A
Fern Valley	129	17,706,085	0	1.7%	777,924	0	0	66,202	N/A	N/A	\$6.77
West / Southwest	191	24,381,116	0	6.2%	-28,251	245,800	350,000	978,530	N/A	N/A	\$6.80
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	122	20,081,549	0	7.3%	-113,281	245,800	350,000	893,500	N/A	N/A	\$6.81
Westend	62	4,051,543	0	0.8%	85,030	0	0	85,030	N/A	N/A	\$5.75
Bullitt County	78	25,041,401	449,840	6.4%	455,475	426,300	0	995,875	\$12.00	N/A	\$7.06
Southern Indiana	279	32,372,970	178,310	3.3%	285,951	2,267,533	580,000	722,410	N/A	\$18.83	\$6.84
Floyd County	93	5,500,273	0	0%	0	0	0	0	N/A	N/A	N/A
Clark County	186	26,872,697	178,310	4.0%	285,951	2,267,533	580,000	722,410	N/A	\$18.83	\$6.84
Shelby County	98	10,023,249	0	21.6%	-158,363	0	444,308	30,000	\$6.00	\$14.00	\$6.73
LOUISVILLE TOTALS	2,041	202,096,038	692,222	4.2%	1,290,889	3,230,094	1,906,308	3,743,833	\$5.87	\$12.70	\$6.91

*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 Q1 2024	*OVERALL WEIGHTED AVG. NET RENT Q2 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		2.2%	506,907	0	0	52,852	\$5.03	\$6.11
West / Southwest	54	13,931,692		10.4%	-108,931	0	350,000	873,500	\$5.71	\$5.82
Bullitt County	45	22,707,280		7.0%	455,475	607,300	0	995,875	\$6.10	\$6.16
Southern Indiana	43	18,468,827		4.8%	293,598	817,533	550,000	603,598	\$5.65	\$6.08
Shelby County	10	3,044,873		65.0%	30,000	0	444,308	30,000	\$5.64	\$6.25
LOUISVILLE TOTALS	255	91,048,682		7.1%	1,567,049	1,559,368	1,734,308	3,003,825	\$5.67	\$5.93

MARKETBEAT LOUISVILLE

Industrial Q2 2024



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Key Lease Transactions – Q2 2024

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
310 Velocity Way	711,975	Arvato	Lease	Bullitt
271 Omega Parkway	283,900	Vista Packaging	Lease	Bullitt
1220 Bridgeport Drive	250,000	BGSC	Sale/Leaseback	Clark

**Denotes pre-leasing*

Key Sales Transactions – Q2 2024

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
700 International Drive	1,022,055	VanTrust Real Estate/EQT Exeter	User Sale	Southern Indiana
2103 South Park Road	324,416	BCI IV Air Commerce Center LLC/TSP Acquisitions LLC	User Sale	South
1051 Trey Street	300,000	Capstone/EQT Exeter	User Sale	Southern Indiana
1220 Bridgeport Drive	250,000	BGSC/Exeter	Sale/Leaseback	Southern Indiana
5710 Cane Run Road	243,613	Oaktree Capital/Tradeline Properties	User Sale	WSW

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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.

