MARKETBEAT

LOUISVILLE

INDUSTRIAL Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.6% Vacancy Rate	▼	▼
3.3M YTD Net Absorption, SF	▼	▲
$5.93 Asking Rent, PSF *(Overall, Net Asking Rent)*	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
702.6K Louisville Employment	▼	▲
4.6% Louisville Unemployment Rate	▲	–
4.2% Country Unemployment Rate	▲	▲

Source:BLS

ECONOMIC OVERVIEW

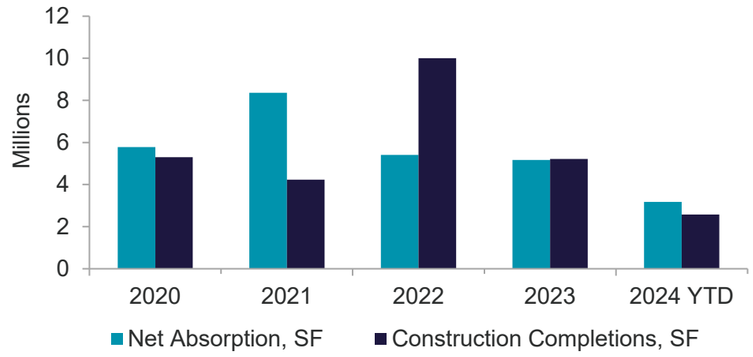
The cautious optimism expressed at the end of Q3 2024 came to fruition as the U.S. economy finished the year seemingly in a very healthy state. The U.S. Bureau of Economic Analysis reported that GDP grew by 3.1% in Q3 2024 with GDP growth projected for Q4 2024 at 2.7%. The Federal Reserve cut another 25 basis points from the Federal Funds rate in November and appears to be pulling the right levers in its dual mandate to reduce inflation and promote full employment in the economy. Inflation accelerated slightly at the year's end, coming in at 2.7% for the month of December, though down significantly since the start of the year. Meanwhile, total U.S. nonfarm payroll numbers increased to 710,900, increasing 1.2% for the month. Locally, employment in Louisville remains strong, with the unemployment rate holding steady at 4.2%.

MARKET OVERVIEW

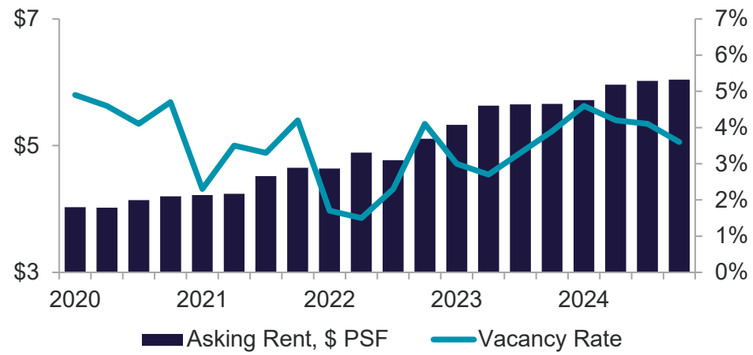
Overall leasing activity during the fourth quarter totaled 2.6 msf square feet (sf) bringing the YTD total to 7.7 msf down from 10.5 msf by the end of 2023. Canadian Solar's lease in Shelby County gave the submarket a substantial boost in leasing activity at 1 msf and lead the quarter in leasing activity. Southern Indiana and Bullitt county also turned in respectable transaction numbers of 715,493 sf and 436,716 sf, respectively.

Overall net absorption for the fourth quarter totaled 1.7 msf, an improvement over the 762,213 sf absorbed in the fourth quarter of 2023. YTD absorption in 2024 ended at 3.1 msf, less than the 5.2 msf of occupancy gains recorded throughout 2023. The Louisville vacancy rate continued to drop, decreasing 50 basis points (bps) from 4.1% in the third quarter to 3.6%. Shelby County posted the most positive net absorption this quarter with 1.5 msf, a 565% change year-over-year (YOY) increase, while the Bullitt County and Southern Indiana reporting an additional 235,792 sf and 206,925 sf, respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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LOUISVILLE
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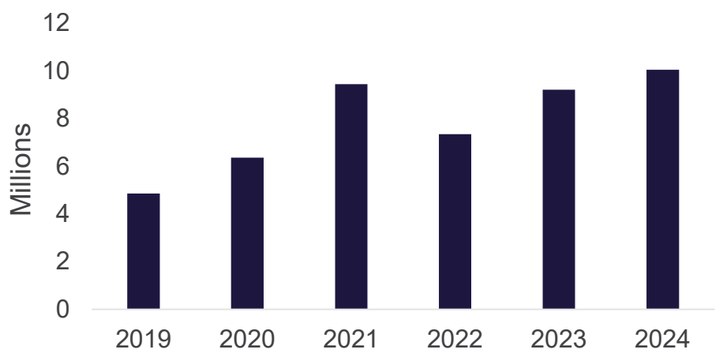
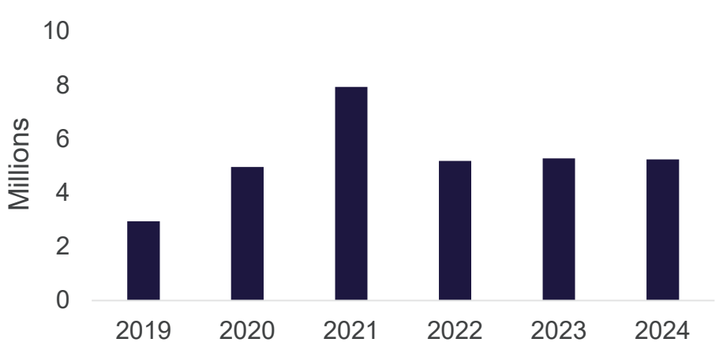
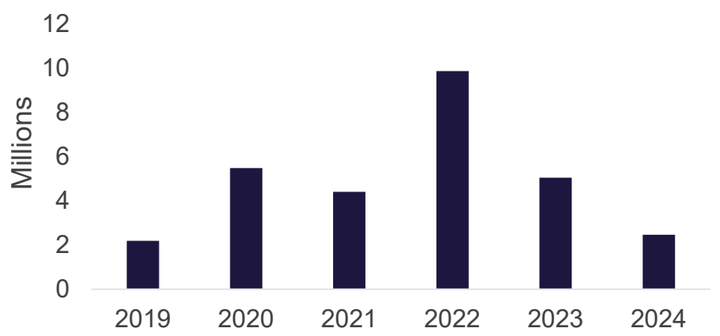
YTD LEASING ACTIVITY – BULK (SF)



YTD NET ABSORPTION – BULK (SF)



YTD CONSTRUCTION COMPLETIONS - BULK



BULK OVERVIEW

Leasing activity in the Louisville bulk distribution market surged compared to third quarter 2024 results. Leasing activity nearly doubled last quarter for a total of 2.2 msf compared to the third quarter's total of 1 msf. The 2024 YTD total ended at 6.3 msf compared to the 2023 YTD activity of 9.2 msf. Bulk absorption ended the quarter at 1.7 msf while the vacancy rate fell 120 bps from 6.5% to 5.3%. Canadian Solar's Shelby County lease contributed the most to the activity. Rental rates continued to increase with an annual change of 8.7% from $5.54 per square foot (psf) in 2023 to $6.16 psf at the close of the year, an 11.0% YOY increase.

Currently, there is 3.3 msf of bulk buildings under construction with over 67% being speculative. The Southern Indiana submarket leads the way with 2.1 msf. There is 8.8 msf of planned construction with over 78% of it speculative. Much of the planned developments are concentrated in Bullitt County (2.9 msf) and Southern Indiana (2.3 msf). However, the West / Southwest submarket also boasts 1.6 msf of potential new construction – which would add 11% to its inventory.

LOUISVILLE: A HEALTHY INDUSTRIAL MARKET

Despite national economic challenges, such as high construction costs, Louisville continues to show evidence of having a healthy industrial market. Over the last five years, Louisville's vacancy rate has remained at least 30 basis points below neighboring markets such as Indianapolis, Cincinnati, and Columbus. With continued interest in the area and limited inventory, expect increases in asking rates as well as a shift in top contributing submarkets within 2025 and 2026.

Louisville's inventory has seen respectable growth from 172.3 msf of total inventory in 2020 to 203 msf at the close of 2024, a 15% increase. Of that growth, 73% was bulk inventory. Bulk inventory has grown from 69.4 msf in 2020 to 91.7 msf, a 24.4% increase. Louisville inventory has grown at a faster pace in that time than the peer cities of Cincinnati (7.9%), Nashville (13.9%), and St. Louis (4.3%). With 4.8 msf of product expected to be completed by end of year 2025, Louisville's bulk deliveries are expected to double the 2.4 msf delivered in 2024, a 5.0% rise in bulk inventory and a 2.3% YOY growth of its total inventory.

OUTLOOK

- Vacancy rates are expected to decrease while net absorption should increase during the year due to increasing demand and limited new construction.
- Continued uncertainty within debt markets and high construction costs will limit speculative construction.
- New bulk inventory is expected to double in 2025 compared to 2024.

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LOUISVILLE
INDUSTRIAL Q4 2024

MARKET STATISTICS - OVERALL

SUBMARKET	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
BULLITT COUNTY	25,467,701	449,840	7.0%	691,267	1,432,591	840,064	426,300	$11.73	N/A	$6.09
CENTRAL	21,213,420	0	3.7%	-82,335	408,811	27,526	0	$4.24	$7.94	$7.34
Downtown	10,015,531	0	5.8%	30,394	322,509	0	0	$3.89	$5.35	N/A
I-64	1,860,523	0	2.5%	-23,719	32,262	0	0	N/A	$13.00	$7.50
I-65	9,337,366	0	1.7%	-89,010	54,040	27,526	0	$5.39	N/A	$7.00
EAST	28,481,265	64,072	0.6%	534,804	729,570	88,000	532,000	$4.92	$11.47	$6.04
Jeffersontown	14,460,192	64,072	0.6%	531,711	581,110	88,000	474,000	$6.50	$10.43	$6.21
Middletown / Eastpoint	3,978,576	0	0.6%	70,033	148,460	0	58,000	N/A	$12.55	N/A
Westport Road	10,042,497	0	0.7%	-66,940	0	0	0	N/A	$7.98	$8.00
SOUTH	60,890,537	0	2.9%	-183,172	624,793	41,200	175,000	$6.37	$7.98	$5.75
Airport	33,652,739	0	3.8%	-876,219	305,379	0	175,000	$6.37	N/A	$5.42
Bishop Lane	9,531,673	0	0.9%	5,059	197,939	41,200	0	N/A	$7.98	N/A
Fern Valley	17,706,125	0	2.3%	687,988	121,475	0	0	N/A	N/A	$6.46
WEST / SOUTHWEST	24,445,116	0	4.9%	354,413	1,942,851	0	414,000	$12.00	$10.77	$6.00
Iroquois	248,024	0	0.0%	0	0	0	0	N/A	N/A	N/A
Riverport	20,145,549	0	5.7%	267,790	1,857,821	0	414,000	$12.00	$10.77	$5.99
Westend	4,051,543	0	0.7%	86,623	85,030	0	0	N/A	N/A	$6.21
SHELBY COUNTY	10,023,249	955,200	5.5%	1,572,548	1,163,331	380,000	444,308	$5.00	$13.00	$6.36
SOUTHERN INDIANA	32,542,338	428,310	3.3%	287,053	1,495,220	2,669,507	580,000	$4.42	$18.00	$6.13
Floyd County	5,500,141	0	1.7%	-96,240	0	0	0	N/A	N/A	$6.95
Clark County	27,042,197	428,310	3.6%	383,293	1,495,220	2669507	580,000	$4.42	$18.00	$5.98
LOUISVILLE TOTALS	**203,063,626**	**1,897,422**	**3.6%**	**3,174,578**	**7,797,167**	**4,046,297**	**2,571,608**	**$4.92**	**$11.47**	**$6.04**

MARKET STATISTICS - BULK

SUBMARKET	INVENTORY (SF)	YTD INVESTMENT SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	*OVERALL WEIGHTED AVG. NET RENT Q3 2024	*OVERALL WEIGHTED AVG. NET RENT Q4 2024
Bullitt County	23,133,580	169,000	7.7%	235,792	734,716	840,064	426,300	$6.18	$6.15
Central	1,211,595	-	0.0%	320,000	150,000	0	0	-	-
East	6,463,916	-	0.0%	506,907	52,852	0	523,735	-	-
South	25,528,224	324,416	4.7%	(248,490)	1,785,321	0	175,000	$6.11	$6.02
West / Southwest	13,931,692	1,267,613	7.5%	507,975	1,048,375	0	350,000	$5.86	$5.83
Shelby County	3,044,873	1,530,431	11.9%	1,881,346	1,713,746	380,000	444,308	$6.25	$6.88
Southern Indiana	18,468,827	2,590,972	2.4%	601,680	825,493	2,138,105	550,000	$6.17	$5.95
LOUISVILLE TOTALS	**91,782,707**	**5,882,432**	**5.3%**	**3,805,210**	**6,310,503**	**3,358,169**	**2,469,343**	**$6.11**	**$6.16**

**Rental rates reflect weighted net asking $psf/year*

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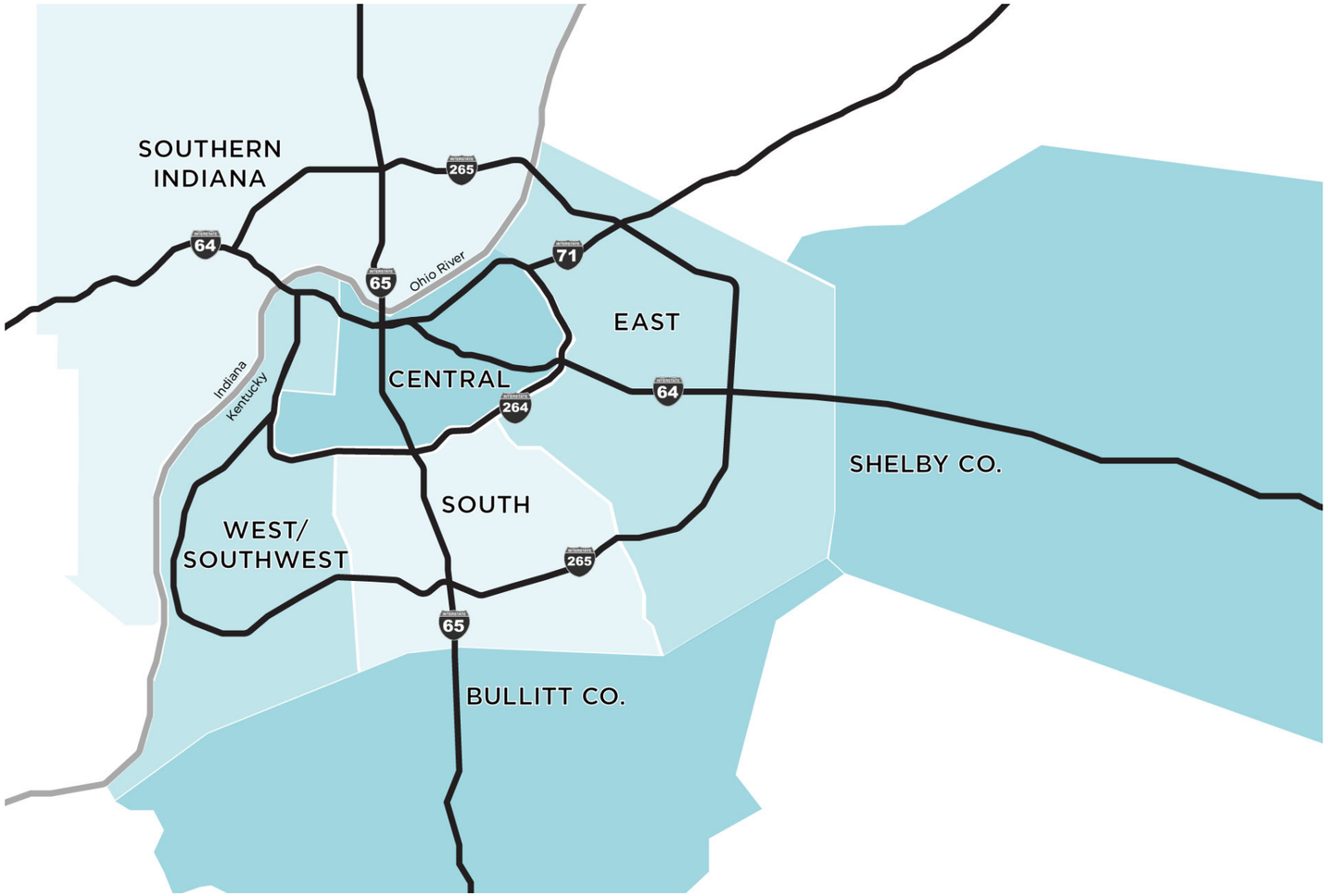
KEY TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
139 Logistics Drive	Shelby County	Canadian Solar	1,052,831	New Lease
251 Buffalo Run Road	Bullitt County	Dorman Products	436,716	New Lease
301 Logistics Avenue	Southern Indiana	ESI, Inc.	426,450	Investment Sale
1751 Penny Martin Lane	Southern Indiana	The United States of America Census	343,813	New Lease
101 River Ridge Circle	Southern Indiana	UFP Packaging	160,000	Sublease
945-1001 Cheri Way	South	Vertex Aerospace, LLC	128,925	New Lease

**Renewals not included in leasing statistics*

INDUSTRIAL SUBMARKETS



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