

MARKETBEAT

Louisville

Industrial Q1 2019



LOUISVILLE INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Louisville Employment	669k	675k	▲
Louisville Unemployment	3.6%	3.9%	▲
U.S. Unemployment	4.1%	3.8%	▼

*Numbers above are quarterly averages; February 2019 data used to represent Q1 2019 for Louisville

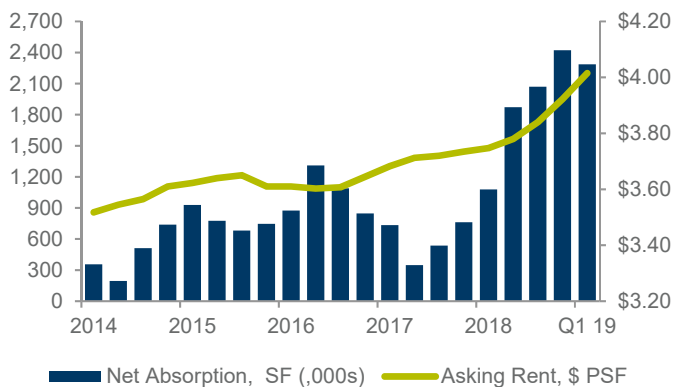
Market Indicators (Overall, All Product Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	7.2%	5.2%	▼
YTD Net Absorption (sf)	1.8M	1.2M	▼
Under Construction (sf)	5.6M	1.4M	▲
Average Asking Rent*	\$3.80	\$4.18	▲

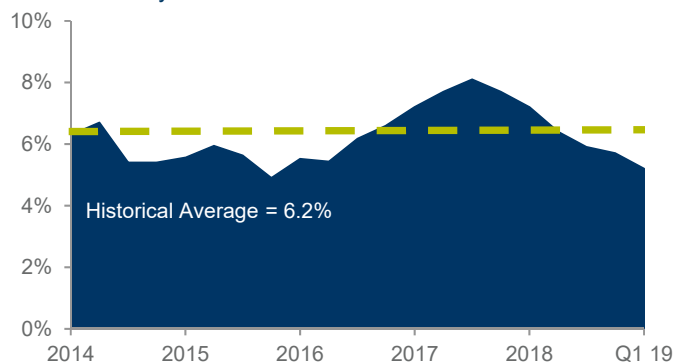
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The U.S. economy is powering through global headwinds and market volatility but continues to perform well. U.S. real GDP is set to grow by 2.7% in 2019 – slower than in 2018, but still a healthy benchmark for commercial real estate markets. The labor market is the economy's MVP. The U.S. economy continues to create a healthy number of jobs, however, worker shortages have become a number one concern for businesses.

The U.S. industrial market experienced a record breaking year in 2018 setting an all time high of 284.9 million square feet (msf) of positive absorption. In fact, the U.S. industrial market has had an outstanding past five years posting 240+ msf per year resulting in record low vacancy rates in more than 40% of the country.

The national economy, consumer spending, GDP growth, and the increasing needs for eCommerce buildings point favorably toward continued health in the U.S. industrial sector. Ecommerce sales are growing at a rate of 3 to 5 times that of broader retail sales indicating that the continued buildout of this required infrastructure will continue.

Market Overview - Overall

First quarter leasing activity of 2.4 msf was more than double the 1.1 msf reported for the same period last year with an impressive 74% of the total activity occurring in the South submarket.

The first quarter overall vacancy rate decreased 50 basis points (bp) during the quarter from 5.7% reported at year-end 2018 to 5.2%. Both the manufacturing and office services sectors set a new all-time low vacancy record of only 2.8% and 4.4% respectively. The East submarket continues to maintain it's extremely low vacancy rate of only 1.2%.

First quarter overall absorption totaled 1.2 msf with the South submarket claiming 60% of the total. The warehouse / distribution sector accounted for over half of the total absorption with manufacturing and office services taking 34% and 13% respectively.

Overall industrial asking rents have increased across the board with warehouse / distribution rents rising to \$4.00 per square foot (psf), manufacturing to \$3.76 psf, and office / services to \$8.56 psf.

Market Overview - Bulk

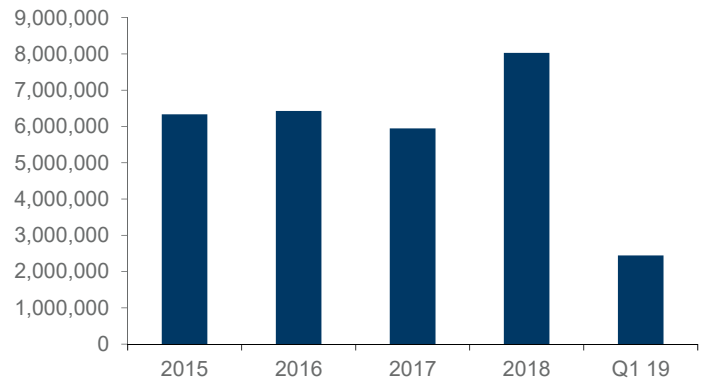
First quarter 2019 bulk leasing activity was 2.0 msf, nearly 2 ½ times more than reported in the first quarter of 2018 and with the South submarket claiming 81% of the total bulk activity.

The first quarter bulk vacancy rate significantly decreased from 8.7% last quarter to 7.4%. There is currently 4.6 msf of vacant bulk space in the Louisville metro area with 69% of that space located in the Bullitt County and Southern Indiana (River Ridge) submarkets.

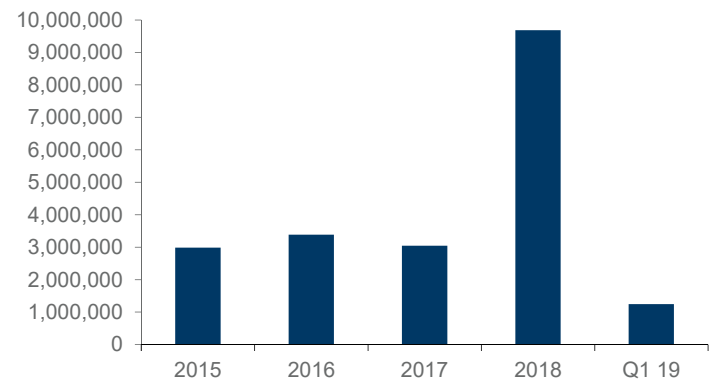
First quarter 2019 bulk absorption of 1.2 msf was slightly less than the 1.3 msf recorded at the same time last year. Gilt Groupe's 302,500 sf vacancy in Bullitt County and a 244,870 sf vacancy at 7665 National Turnpike offset the vast amount of first quarter leasing activity. Again, the South submarket dominated with 85% of the total first quarter's absorption, resulting in the South submarket's vacancy rate dropping from 5.9% last quarter to its current low 3.4%. The first quarter 2019 overall bulk average asking rent was \$3.92 psf compared to \$3.82 psf for the same period last year.

Bulk construction completions for the first quarter totaled 365,000 sf including the new BTS for Premier Packaging and 65,000 sf at 9205 National Turnpike, both located in the South submarket. Currently there is 1.1 msf of bulk product under construction including 631,500 sf of BTS activity and 428,877 sf of speculative construction.

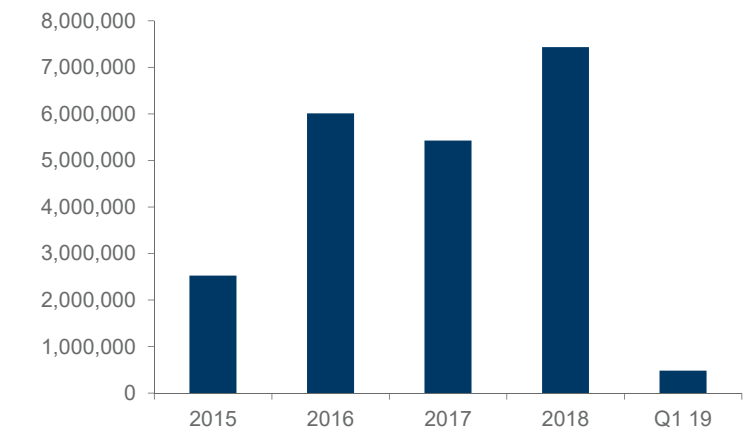
Leasing Activity - Overall (square feet)



Absorption - Overall (square feet)



Construction Completions - Overall (square feet)



Outlook

- As the market continues to tighten, developers will continue to search for suitable land sites.
- Expect rental rates to increase due to a lack of supply and an increase in land and construction costs.
- Considering that online sales are growing much faster than overall retail sales, further industrial demand for ecommerce fulfillment can be expected.
- Supply chain efficiency continues to drive industrial decision making.

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CUSHMAN & WAKEFIELD

Commercial Kentucky

Industrial Market Statistics – Overall – Q1 2019

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	*DIRECT NET RENT (MF)	*DIRECT WEIGHTED AVG. NET RENT (OS)	*DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	426	20,792,379	204,907	4.3%	240,354	0	0	\$3.21	\$7.25	N/A
Downtown	220	9,666,620	204,907	8.1%	209,423	0	0	\$3.16	\$6.07	N/A
I-64	60	1,860,523	0	2.4%	19,996	0	0	\$4.00	\$13.19	N/A
I-65	146	9,265,236	0	0.8%	10,935	0	0	\$3.44	\$6.86	N/A
East	404	26,265,964	10,094	1.2%	103,786	249,190	92,808	\$6.42	\$8.96	\$5.72
Jeffersontown	284	12,797,180	10,094	1.8%	53,875	0	92,808	N/A	\$8.51	\$5.69
Middletown / Eastpoint	80	3,655,371	0	1.5%	-10,666	27,000	0	\$6.42	\$12.48	N/A
Westport Road	40	9,813,413	0	0.2%	60,577	222,190	0	N/A	\$6.33	\$5.95
South	515	54,825,414	0	3.8%	1,109,925	470,537	390,997	\$4.66	\$6.96	\$4.14
Airport	181	29,785,674	0	3.2%	992,584	162,500	90,997	\$6.89	\$6.73	\$4.02
Bishop Lane	212	9,097,027	0	6.0%	242,341	29,200	300,000	\$4.00	\$7.20	\$4.88
Fern Valley	122	15,942,713	0	3.6%	-125,000	278,837	0	N/A	\$4.25	\$4.08
West / Southwest	181	21,908,313	0	5.7%	57,055	0	0	N/A	\$5.69	\$3.97
Iroquois	7	248,024	0	47.6%	-118,000	0	0	N/A	N/A	\$7.00
Riverport	112	17,608,746	0	4.2%	175,055	0	0	N/A	\$5.69	\$3.49
Westend	62	4,051,543	0	9.5%	0	0	0	N/A	N/A	N/A
Bullitt County	63	16,071,056	0	13.4%	-302,500	187,500	0	N/A	N/A	\$3.95
Southern Indiana	255	24,424,176	16,000	7.7%	35,376	469,000	0	\$3.82	\$11.04	\$3.82
Floyd County	92	5,262,313	0	3.2%	-26,054	0	0	\$3.25	\$13.00	\$3.76
Clark County	163	19,161,863	16,000	8.9%	61,430	469,000	0	\$4.17	\$5.75	\$3.82
LOUISVILLE TOTALS	1,844	164,287,302	231,001	5.2%	1,243,996	1,376,227	483,805	\$3.76	\$8.56	\$4.00

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Industrial Market Statistics – By Property Type – Q1 2019

PROPERTY TYPE	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 (SF)	*DIRECT NET RENT Q1 2018	*DIRECT WEIGHTED AVG. NET RENT Q1 2019
Warehouse/Distribution	624	85,698,163	16,000	7.2%	661,175	1,132,527	365,000	2,127,639	\$3.73	\$4.00
Manufacturing	985	70,678,955	204,907	2.8%	424,311	187,500	53,224	173,456	\$3.14	\$3.76
Office Service/Flex	235	7,910,184	10,094	4.4%	158,510	56,200	65,581	139,414	\$7.42	\$8.56
LOUISVILLE TOTALS	1,844	164,287,302	231,001	5.2%	1,243,996	1,376,227	483,805	2,440,509	\$3.80	\$4.18

Industrial Market Statistics – * Bulk – Q1 2019

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 NET RENT Q1 2018	*OVERALL WEIGHTED AVG. NET RENT Q1 2019
Central	3	777,595	0	0%	0	0	0	0	\$3.95	N/A
East	23	4,798,390	0	0.2%	65,450	150,040	0	65,450	N/A	\$5.95
South	52	19,384,638	110,000	3.4%	1,232,600	441,337	365,000	1,597,470	\$4.00	\$4.14
West / Southwest	45	11,498,524	772,052	6.4%	158,200	0	0	310,552	\$3.60	\$3.56
Bullitt County	31	14,007,879	848,500	13.9%	-302,500	0	0	0	\$3.87	\$3.95
Southern Indiana	27	11,580,399	0	10.7%	0	469,000	0	0	\$3.86	\$3.88
LOUISVILLE TOTALS	181	62,047,425	1,730,552	7.4%	1,153,750	1,060,377	365,000	1,973,472	\$3.82	\$3.92

*Bulk is defined by 100,000 sf +, Class A, 28'+ clear, and ESFR.

