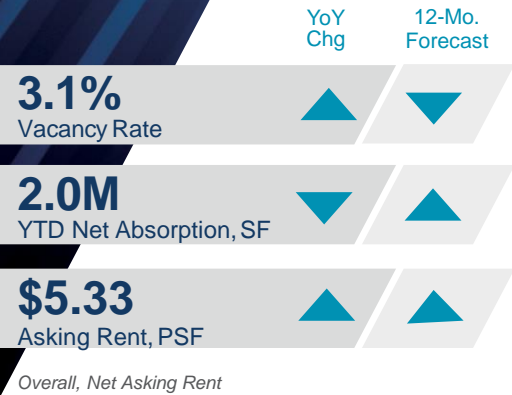
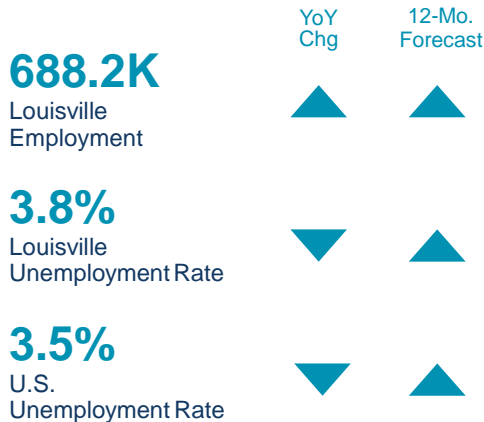


Industrial Q1 2023



ECONOMIC INDICATORS Q1 2023



Source: BLS

ECONOMIC OVERVIEW

First Quarter 2023 economic headlines continued to include inflation and the Federal Reserve's future interest rate increases. Meanwhile, the national unemployment rate declined 20 basis points (bps) to 3.5% from the fourth quarter while the Gross Domestic Product (GDP) edged downward to 2.6% at the end of the year.

Despite such sobering news, Site Selection Magazine named Louisville, Kentucky a 2022 Top Five U.S. Metro (by Projects per Capita). Louisville's Economic Development Department saw 51 new projects in 2022, that brought almost 3,700 new jobs to the area at an annual wage of almost \$62,000, with a capital investment record of \$2.09 billion.

MARKET OVERVIEW

Following another strong year throughout 2022, first quarter 2023 overall leasing activity was 2.8 million square feet (msf). The South submarket recorded the most activity for the quarter with 1.2 msf.

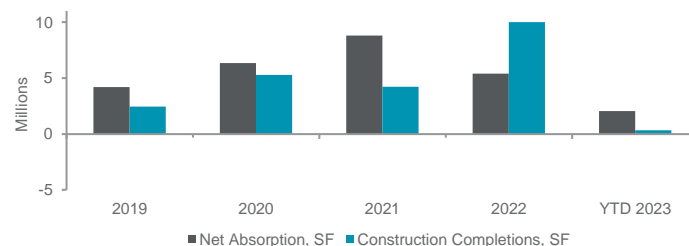
Overall net absorption for the first quarter was 2.0 msf, marking the 31st consecutive quarter of positive net absorption. The Bullitt and Southern Indiana submarkets continued to yield strong absorption, with both reflecting over 500,000 square feet (sf) of positive absorption for the quarter. However, the South submarket dominated the first quarter with over 700,000 sf of net absorption. West/Southwest was the only submarket to record net occupancy losses during the quarter at -72,798 sf.

The Louisville market registered 327,000 sf of new construction delivered during the first quarter of 2023. There is currently 6.1 msf under construction as developers try to keep up with demand in the area.

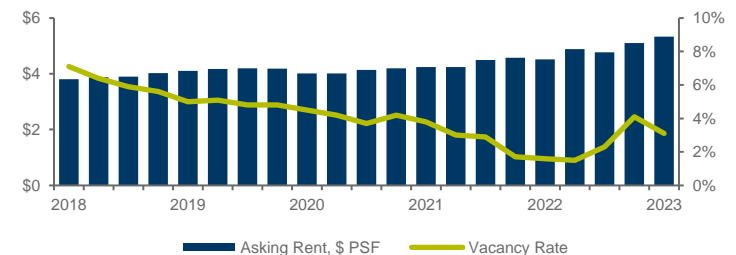
Given the small number of construction deliveries in the first quarter of 2023, the overall vacancy rate decreased 100 bps from 4.1% to 3.1%, as tenants leased up vacant space throughout the market. The Shelby* and East submarkets boasted the lowest vacancy rates closing out the quarter at 0.3% and 0.5%, respectively. Additionally, overall average asking rents climbed during the quarter from \$5.10 per square foot (psf) to \$5.33 psf, a 4.5% increase.

*The Shelby County submarket has been added to the statistics for this market due to the recent increase of speculative development in that area.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



BULK OVERVIEW

Bulk leasing activity for the first quarter totaled over 2.5 msf. The South submarket recorded the most leasing activity during the quarter totaling 1.1 msf, which accounted for 45.6% of all bulk leasing activity for the quarter. Southern Indiana also registered significant bulk leasing activity for the quarter at 633,580 sf.

Bulk overall net absorption for the first quarter totaled 2.1 msf. Again, the South submarket was very active, seeing the most absorption at 775,917 sf, followed by the Bullitt County submarket with 524,604 sf of positive absorption.

While only one new bulk building completed during the first quarter, over 1.0 msf is expected to deliver in the second quarter. Additionally, over 13.7 msf of speculative bulk product is planned throughout the market. This includes two new-to-market developers in the Louisville market. Broe Real Estate Group is planning a 300,000 sf facility in Southern Indiana while Lincoln Property Co. is planning two bulk buildings in Riverport totaling 322,931 sf.

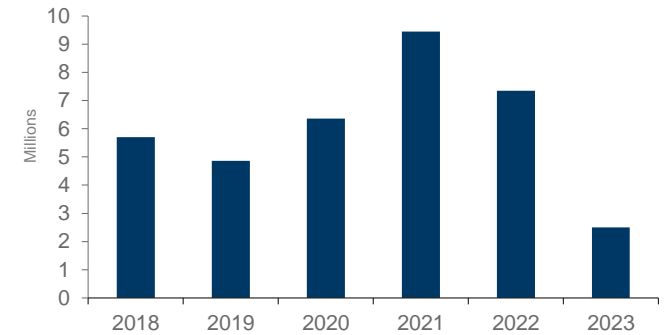
Much of the 4.6 msf of completed bulk speculative construction from the fourth quarter of 2022 was leased during the first quarter of 2023, leading to a 200 bps drop in the overall bulk vacancy rate from 7.7% in the fourth quarter of 2022, to 5.7% in Q1. The Southern Indiana, South and Bullitt County submarkets had the biggest drop in vacancy, declining by 350, 310 and 240 bps, respectively. The Central, East and Shelby County submarkets all ended the quarter with bulk vacancy rates of 0%.

Average asking rents for bulk properties edged higher from \$5.15 psf to \$5.37 psf during the first quarter and are up 12.1% from one year ago. Building costs and the declining vacancy rates in the market continue to drive lease rates upwards.

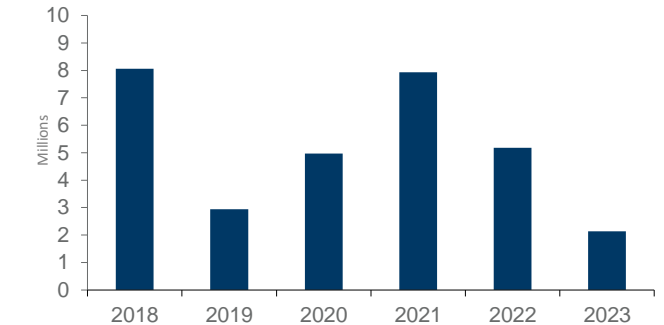
OUTLOOK

- The Louisville bulk market performed extremely well during the first quarter of 2023, continuing the momentum from a strong calendar year 2022.
- Expect the vacancy rate to continue to decrease throughout the year as strong tenant demand continues and supply of new development diminishes.
- Deal rates keep increasing as healthy demand and inflation persists within the construction industry and throughout the economy in general.
- Over the past five years, Louisville has averaged 5.3 msf of bulk leasing activity per year. With over 2.5 msf of leasing activity during the first quarter, 2023 is likely to surpass that average.
- Investment traffic will remain slow during 2023, as the Federal Reserve continues to increase interest rates causing buyers to reassess valuations.

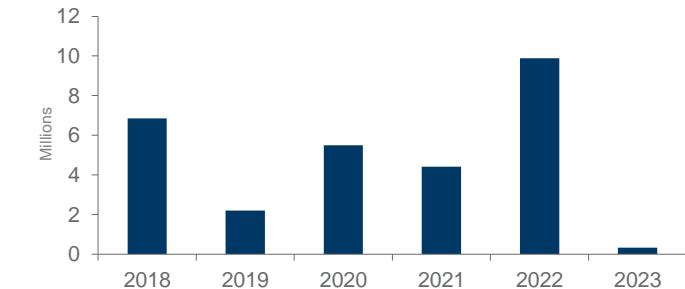
Leasing Activity – Bulk (square feet)



Net Absorption – Bulk (square feet)



Construction Completions – Bulk (square feet)



MARKETBEAT LOUISVILLE

Industrial Q1 2023

MARKET STATISTICS

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)	YTD OVERALL LEASING ACTIVITY	*OVERALL WEIGHTED AVG. NET RENT (MF)	*OVERALL WEIGHTED AVG. NET RENT (OS)	*OVERALL WEIGHTED AVG. NET RENT (WD)
Central	424	21,191,564	28,000	2.8%	668	0	0	217,650	\$4.51	\$9.63	N/A
Downtown	219	9,993,675	28,000	4.7%	0	0	0	215,150	\$3.95	\$6.35	N/A
I-64	60	1,860,523	0	1.9%	-2,679	0	0	2,500	N/A	\$12.01	N/A
I-65	145	9,337,366	0	0.8%	3,347	0	0	0	\$7.61	N/A	N/A
East	420	27,785,250	0	0.5%	342,601	448,625	327,000	115,778	\$7.68	\$10.05	N/A
Jeffersontown	294	13,822,332	0	0.8%	332,344	448,625	327,000	87,481	\$7.68	\$9.65	N/A
Middletown / Eastpoint	84	3,920,421	0	0.3%	7,826	0	0	25,866	N/A	\$15.20	N/A
Westport Road	42	10,042,497	0	0.0%	2,431	0	0	2,431	N/A	\$8.70	N/A
South	539	60,623,841	0	2.6%	709,435	83,000	0	1,246,141	\$5.07	\$9.51	\$4.92
Airport	195	33,417,946	0	1.7%	678,967	70,200	0	1,208,923	\$7.45	N/A	\$5.72
Bishop Lane	216	9,511,513	0	1.2%	30,468	12,800	0	37,218	\$2.95	\$9.51	\$6.35
Fern Valley	128	17,694,382	0	5.3%	0	0	0	0	N/A	N/A	\$4.40
West / Southwest	186	23,275,223	0	3.2%	-72,798	1,169,893	0	1,000	N/A	\$8.23	\$4.71
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	117	18,975,656	0	3.5%	-72,798	1,169,893	0	1,000	N/A	\$8.23	\$4.95
Westend	62	4,051,543	0	2.0%	0	0	0	0	N/A	N/A	\$2.75
Bullitt County	77	24,324,767	0	6.8%	514,404	711,975	0	524,604	\$4.25	N/A	\$5.83
Southern Indiana	271	29,942,357	0	4.0%	551,710	1,531,555	0	705,205	N/A	N/A	\$5.46
Floyd County	93	5,362,313	0	0.2%	0	0	0	71,625	N/A	N/A	\$5.47
Clark County	178	24,580,044	0	4.8%	551,710	1,531,555	0	633,580	N/A	N/A	\$4.00
Shelby County	90	7,698,637	0	0.3%	0	2,141,239	0	0	\$7.00	N/A	N/A
LOUISVILLE TOTALS	1,913	194,841,639	28,000	3.1%	2,046,020	6,086,287	327,000	2,810,378	\$4.78	\$9.80	\$5.30

*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 2022	*OVERALL WEIGHTED AVG. NET RENT Q1 2023
Central	4	1,211,595	0	0%	0	0	0	205,150	N/A	N/A
East	29	5,940,181	0	0%	327,000	390,000	327,000	0	N/A	N/A
South	74	25,354,234	0	5.1%	775,917	0	0	1,142,243	\$5.09	\$4.93
West / Southwest	49	12,825,799	0	5.2%	-70,768	1,105,893	0	0	\$4.49	\$4.95
Bullitt County	44	21,995,305	0	6.9%	524,604	711,975	0	524,604	\$4.46	\$5.83
Southern Indiana	39	16,851,674	0	6.8%	583,580	1,494,055	0	633,580	\$4.55	\$5.48
Shelby County	5	683,719	0	0%	0	2,071,239	0	0	N/A	N/A
LOUISVILLE TOTALS	238	84,592,507	0	5.7%	2,140,333	5,393,162	327,000	2,505,577	\$4.79	\$5.37

MARKETBEAT LOUISVILLE

Industrial Q1 2023

Key Lease Transactions – Q1 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3245 Preston Highway, Building 1	524,604	Vista Packaging	Lease	Bullitt
2103 South Park Road	324,416	Averitt Express	Sublease	South
2425 Universal Way	323,376	Confidential	Lease	South
101 Jacobs Way	281,580	Sazerac	Lease	Southern Indiana
266 Eiler Avenue	262,920	Houston Johnson, Inc.	Lease	South
400 Trey Street, Suite B	252,000	Multicell Packaging	Lease	Southern Indiana
1391 Dixie Highway	205,150	Hydra Warehouse of Louisville	Lease	Central
2501 Export Drive	189,621	Multi-Color Corporation	Lease	South

KRISTINE MCFARLAND

Research Analyst

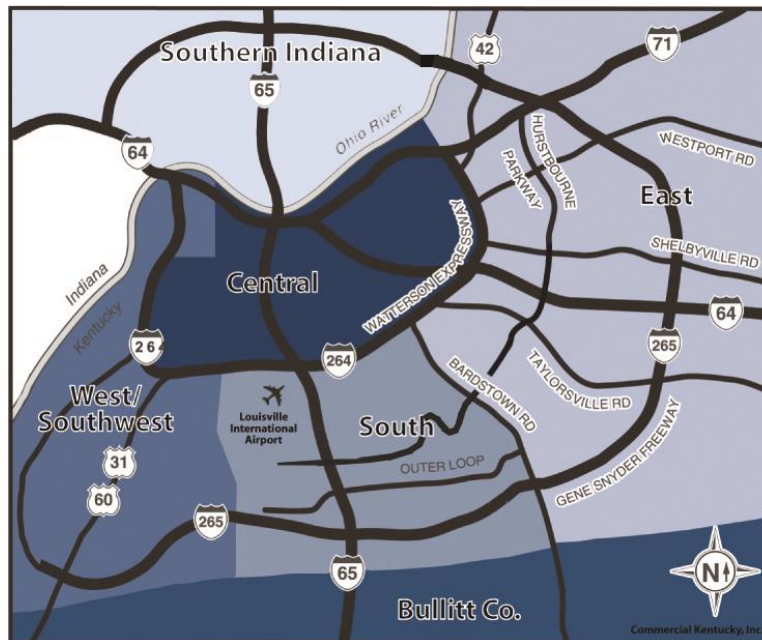
Tel: +1 502 589 5150

kmcfarland@commercialkentucky.com

Key Sales Transactions – Q1 2023

PROPERTY	SF	SELLER/BUYER	TRANSACTION TYPE	SUBMARKET
1350 South 15 th Street	28,000	Goudy Community Properties / American Realty Group, LLC	Investment Sale	Central

INDUSTRIAL SUBMARKETS



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