

Industrial Q2 2020

YoY Chg 12-Mo. Forecast

4.6%
Vacancy Rate



1.1M
YTD Net Absorption, SF



\$4.02
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

560.6K
Louisville Employment



15.9%
Louisville Unemployment Rate



13.0%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

MARKET OVERVIEW

Despite a lower number of leases signed than usual, leasing activity in the Louisville Industrial market remained strong in the second quarter with over 1.2 million square feet (msf) of activity. This brings the year-to-date (YTD) total to 2.4 msf of leasing activity. Warehouse/distribution buildings accounted for 90% of total leasing activity during the second quarter with over 1.0 msf leased. The South and Southern Indiana submarkets experienced the most activity during the quarter with 498,081 square feet (sf) and 331,666 sf respectively.

Overall net absorption for the second quarter was positive 901,374 sf and brings the YTD total to positive 1.1 msf. Most of the YTD positive absorption can be attributed to the South, West/Southwest, and Southern Indiana submarkets. The East submarket had negative absorption of 190,240 sf making it the only submarket with negative absorption during the second quarter.

The Louisville market remains hot for new construction with over 6.4 msf currently under construction. The South, Southern Indiana, and Bullitt County submarkets each have over 1.7 msf of new product under construction. Warehouse/distribution makes up 98% of the product currently under construction with 6.3 msf.

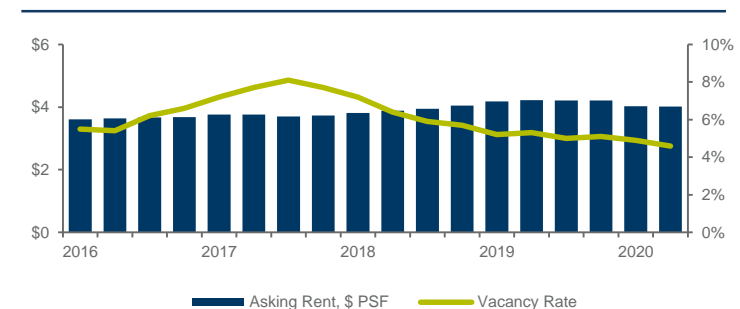
The vacancy rate decreased 30 basis-points (bps) during the second quarter down from 4.9% to 4.6%. The low vacancy rate shows the need for the new construction as more supply is needed to keep up with the high demand in the market. With a 230 bps decrease, the West/Southwest submarket had the greatest change from quarter to quarter dropping down to 0.7% from 3.0%.

Overall average asking rent decreased one cent from \$4.03 per square foot (psf) down to \$4.02 psf. Warehouse/distribution average asking rents decreased from \$4.04 psf to \$4.01 psf while manufacturing average asking rents decreased \$3.24 psf to \$3.23 psf. However, office service average asking rents increased from \$8.34 psf to \$8.49 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



BULK OVERVIEW

Bulk leasing activity for the second quarter was 951,666 sf which brings the mid-year total to over 1.8 msf. Leasing activity in the bulk market accounts for 76% of the overall mid year leasing activity. The South submarket has had the most activity at this point of the year with 901,311 sf.

Bulk overall net absorption was positive 792,975 sf for the second quarter, and increased the YTD total to positive 855,535 sf. The South submarket continues to be the submarket with the most positive absorption at 769,845 sf for the first six months.

New construction in the bulk market continues to ramp up with 6.3 msf of product currently under construction. Some notable projects that started during the second quarter include Van Trust’s 702,800 sf building in Southern Indiana, Molto’s 324,416 sf in the South submarket, and Hunt Midwest’s 322,831 sf in the East submarket. Additionally, two new bulk buildings were completed in the South submarket in April. Exeter completed a 252,000 sf building and Airtech completed a 167,000 sf building that is fully leased and occupied.

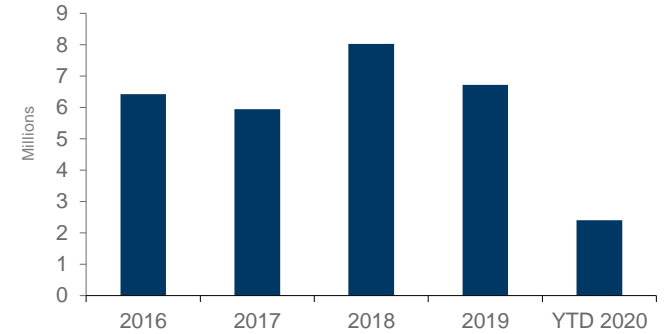
The bulk vacancy rate decreased 60 bps from 7.5% to 6.9% during the second quarter. The biggest decreases in vacancy occurred in the Southern Indiana submarket which decreased 200 bps from 7.6% to 5.6% and the West/Southwest submarket which decreased 110 bps from 2.0% to 0.9%.

Average asking rent decreased from \$4.03 psf to \$4.01 psf during the second quarter. The Bullitt County and Southern Indiana submarkets had no change in rent, while the other submarkets experienced decreases in average asking rent.

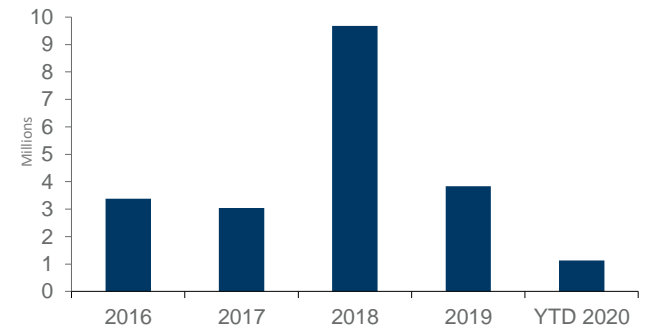
OUTLOOK

- Speculative deliveries of over 5.1 msf is expected to come to market by the end of the year.
- Vacancy rates will begin to increase as several new buildings are projected to be completed during the third quarter.
- Overall net absorption in the near term may lag behind the results of previous quarters.

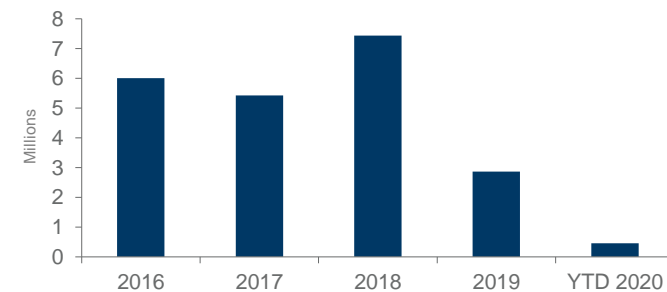
Leasing Activity – Overall (square feet)



Absorption – Overall (square feet)



Construction Completions – Overall (square feet)



MARKETBEAT LOUISVILLE

Industrial Q2 2020

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)	*OVERALL WEIGHTED AVG. NET RENT (MF)	*OVERALL WEIGHTED AVG. NET RENT (OS)	*OVERALL WEIGHTED AVG. NET RENT (W/D)
Central	427	20,856,243	242,896	4.4%	40,034	0	0	\$2.84	\$7.23	\$2.87
Downtown	220	9,666,620	110,000	7.2%	86,780	0	0	\$2.79	\$5.84	\$1.73
I-64	60	1,860,523	117,636	1.1%	0	0	0	N/A	\$12.42	N/A
I-65	147	9,329,100	15,260	2.0%	-46,746	0	0	\$3.13	\$8.03	\$3.85
East	409	26,645,169	55,332	2.4%	-126,185	322,831	40,000	\$6.99	\$9.09	\$5.57
Jeffersontown	286	12,926,645	55,332	4.1%	-155,874	322,831	40,000	\$8.00	\$8.05	\$5.52
Middletown / Eastpoint	81	3,682,921	0	1.9%	100	0	0	\$6.45	\$11.05	N/A
Westport Road	42	10,035,603	0	0.4%	29,589	0	0	N/A	\$7.66	\$5.95
South	522	56,370,443	313,524	3.6%	514,902	1,704,707	419,000	\$3.72	\$7.41	\$4.01
Airport	186	31,051,866	313,524	3.9%	323,180	324,416	419,000	\$3.54	N/A	\$4.21
Bishop Lane	212	9,097,027	0	4.4%	-88,258	12,800	0	\$3.96	\$7.54	\$3.83
Fern Valley	124	16,221,550	0	2.5%	279,980	1,367,491	0	N/A	\$5.25	\$3.82
West / Southwest	181	21,930,713	503,639	0.7%	713,598	714,500	0	\$1.03	\$9.23	\$3.50
Iroquois	7	248,024	118,000	0.0%	118,000	0	0	N/A	N/A	N/A
Riverport	112	17,631,146	0	0.6%	209,959	714,500	0	N/A	\$9.23	\$3.50
Westend	62	4,051,543	385,639	0.9%	385,639	0	0	\$1.03	N/A	N/A
Bullitt County	63	16,291,297	0	17.4%	-495,233	1,948,758	0	N/A	N/A	\$3.97
Southern Indiana	257	25,207,271	10,550	4.7%	479,250	1,719,090	0	\$3.79	N/A	\$3.83
Floyd County	92	5,262,313	0	4.4%	-16,785	100,000	0	\$3.95	N/A	\$4.75
Clark County	165	19,944,958	10,550	4.8%	496,125	1,619,090	0	\$3.77	N/A	\$3.74
LOUISVILLE TOTALS	1,859	167,301,136	1,125,941	4.6%	1,126,366	6,409,886	459,000	\$3.23	\$8.49	\$4.01

*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 Q2 2019	*OVERALL WEIGHTED AVG. NET RENT Q2 2020
Central	3	777,595	0	6.0%	-46,746	0	0	0	N/A	\$3.85
East	24	4,948,430	0	1.3%	33,589	322,831	0	33,589	\$5.95	\$5.81
South	59	20,929,703	0	4.3%	769,845	1,691,907	419,000	901,311	\$4.39	\$4.27
West / Southwest	45	11,498,524	0	0.9%	196,200	714,500	0	307,800	\$3.56	\$3.50
Bullitt County	31	14,007,879	0	18.7%	-495,233	1,948,758	0	115,767	\$3.96	\$3.97
Southern Indiana	29	12,199,399	0	5.6%	397,880	1,619,090	0	457,800	\$3.86	\$3.81
LOUISVILLE TOTALS	191	64,361,530	0	6.9%	855,535	6,297,086	419,000	1,816,267	\$3.99	\$4.01

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

MARKETBEAT LOUISVILLE

Industrial Q2 2020

Key Lease Transactions – Q2 2020

Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
201 River Ridge Parkway	245,000	Kenco	New Lease	Southern Indiana
4500 Fern Valley Road	226,825	Houston Johnson	New Lease	South
800 Patrol Road	196,000	Bose Corporation	Renewal	Southern Indiana
1001 Glengarry Drive	125,202	Container & Packaging	New Lease	South

Johnny Tobe

Research Analyst

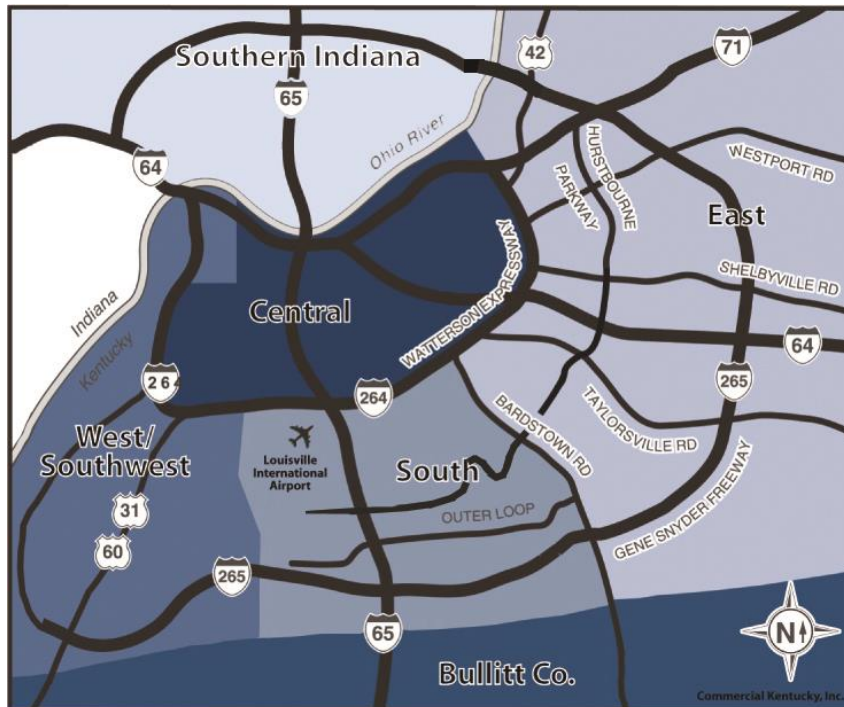
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Key Sales Transactions – Q2 2020

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2820 West Broadway	385,639	Sypris Technologies / Goodwill	\$1.7M / \$4.4	West / Southwest
3701 West Magnolia Avenue	141,025	Mesa Foods / STORE Capital	\$8.3M / \$59	West / Southwest

INDUSTRIAL SUBMARKETS



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