

MARKETBEAT

Louisville

Industrial Q2 2019



LOUISVILLE INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Louisville Employment	670k	675k	▲
Louisville Unemployment	3.9%	3.7%	▲
U.S. Unemployment	3.9%	3.6%	▼

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

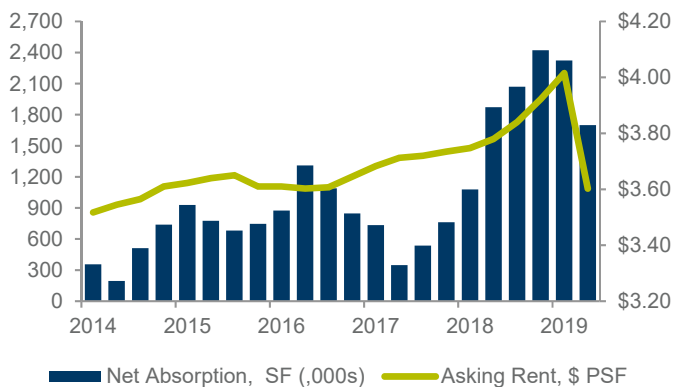
Market Indicators (Overall, All Product Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	6.4%	5.3%	▼
YTD Net Absorption (sf)	5.0M	2.1M	▼
Under Construction (sf)	3.9M	1.9M	▲
Average Asking Rent*	\$3.88	\$4.22	▲

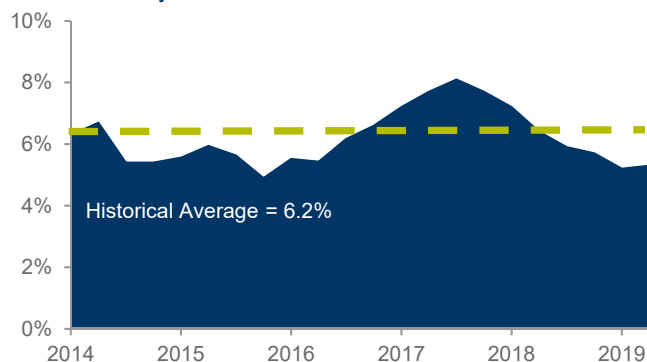
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

The global economic growth forecast is “still good, just not as good”, according to Kevin Thorpe, Chief Economist and Global Head of Research for Cushman & Wakefield. Globally, GDP is expected to grow to 3.3% in 2019 – as compared to the 3.6% growth rate in 2018 and the near 4.0% growth experienced in 2017. The slowdown in the global economy can be attributed to the fading fiscal stimulus in the U.S., escalating trade tensions, four interest rate hikes by the Federal Reserve, and the continued uncertainty of Brexit.

The key drivers of demand for industrial-logistics space, including job growth and consumer spending, remain firmly intact. Job growth in the U.S. is predicted to remain healthy throughout 2019, although it is expected to slow, given the tightness of labor markets with unemployment at a 49-year low of 3.6%. Nevertheless, this growth should be sufficient enough to keep pace with new construction.

eCommerce continues to thrive and consumers continue to spend with U.S. internet sales up another 12% in Q1 2019 versus a year ago. The bulk of this consumer demand is captured by the industrial sector in the form of storage and distribution.

Market Overview - Overall

Second quarter leasing activity of 879,580 sf pushed the year-to-date total to 3.3 million square feet (msf). Combined, the South, West / Southwest and Southern Indiana submarkets accounted for 79% of the total quarter’s activity.

The second quarter overall vacancy rate increased 10 basis points (bps) from 5.2% in the first quarter to 5.3%. Both manufacturing and warehouse / distribution experienced minimal increases to 2.9% and 7.4% respectively. The office services (flex) sector dropped another 40 bps this quarter resulting in a new all-time low vacancy record of 4.0%.

Overall absorption of 738,103 square feet (sf) in the second quarter brought the mid-year total to 2.1 msf. The South submarket claimed 63% of the year-to-date (YTD) total followed by Southern Indiana with 25%. The warehouse / distribution sector continued to dominate, claiming 73% of the total YTD absorption, with manufacturing and office services taking 17% and 10% respectively.

Market Overview - Bulk

Second quarter bulk leasing activity of 535,415 sf brought the mid-year total to 2.5 msf, 19.5% less than mid-year 2018's record-setting 2.9 msf of leasing activity.

The second quarter overall bulk vacancy rate increased 30 bps from 7.4% last quarter to 7.7%. There is currently 4.8 msf of vacant bulk space in the Louisville metro area; 40% of which is in Bullitt County, 24% in River Ridge, 17% in Riverport and 16% in the South submarkets. The second quarter overall bulk average asking net rent increased to \$3.99 per square foot (psf) compared to \$3.88 psf for the same period last year.

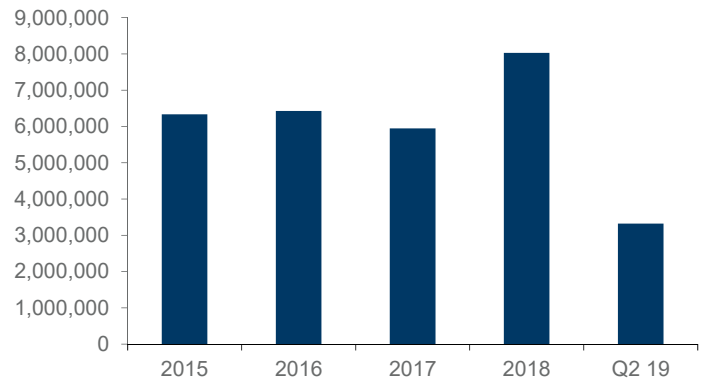
Second quarter 2019 bulk absorption of 666,439 sf was mostly attributed to two new build-to-suits: Niagara Bottling's new 469,000 sf operation in River Ridge and DCL Logistics' new 162,500 sf facility in the South submarket. YTD bulk absorption currently stands at 1.8 msf, well on pace to meet and/or exceed the 3.5 msf Louisville annual average of positive absorption.

Bulk construction completions for the second quarter totaled 910,627 sf. Duane Development completed their first building at Poplar Logistics Center consisting of 129,087 sf, and Oakland Partnership delivered a 150,040 sf distribution center at Eastpoint Business Park. Currently, there is over 1.6 msf of speculative product under construction evenly split between the South and River Ridge submarkets. There is also 3.2 msf of product in the pipeline that is expected to start construction by the end of the year, including a 958,200 sf spec building for Nicklies in the South, a 908,000 spec building for Browning in Bullitt County, and a 400,000 sf build-to-suit for Paccar in Riverport.

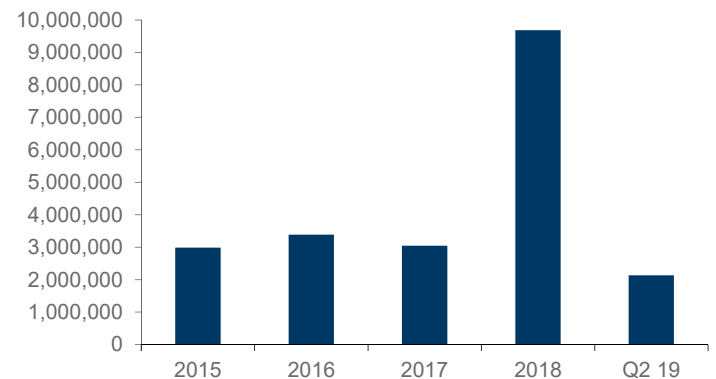
Outlook

- The U.S. industrial sector is on solid footing. Expect 2019 to be another solid year in the strongest industrial expansion era ever recorded.
- U.S. net absorption is forecasted to surpass 240 msf in 2019 for a sixth consecutive year with demand for all regions and all product types growing.
- Labor shortages are becoming one of the most significant challenges facing the industrial real estate industry.

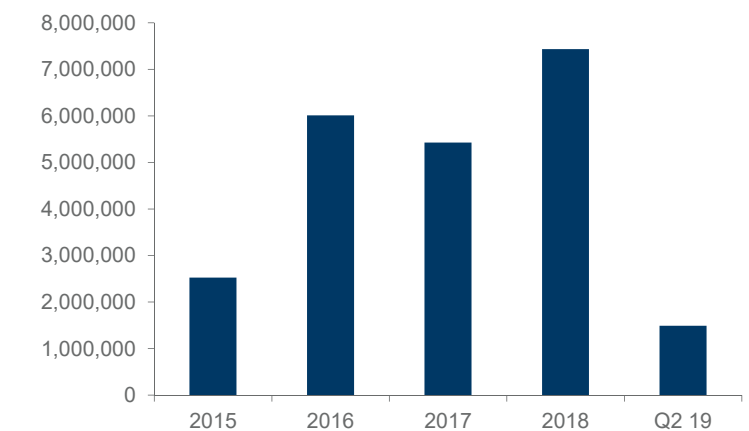
Leasing Activity - YTD Overall (square feet)



Absorption – YTD Overall (square feet)



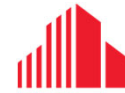
Construction Completions – YTD Overall (square feet)



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Louisville

Industrial Q2 2019



CUSHMAN & WAKEFIELD

Commercial Kentucky

Industrial Market Statistics – Overall – Q2 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 WEIGHTED AVG. NET RENT (MF)	*DIRECT WEIGHTED AVG. NET RENT (OS)	*DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	427	20,792,379	301,263	4.5%	203,038	0	0	\$3.22	\$7.24	N/A
Downtown	220	9,666,620	301,263	8.1%	209,423	0	0	\$3.16	\$6.07	N/A
I-64	60	1,860,523	0	2.4%	18,775	0	0	\$4.00	\$12.42	N/A
I-65	147	9,265,236	0	1.1%	-25,160	0	0	\$3.38	\$6.86	N/A
East	406	26,510,654	41,621	1.9%	158,995	0	337,498	\$6.72	\$9.40	\$5.96
Jeffersontown	283	12,797,180	41,621	1.5%	97,184	0	92,808	N/A	\$8.24	\$5.69
Middletown / Eastpoint	81	3,677,871	0	2.6%	-29,786	0	22,500	\$6.72	\$12.10	N/A
Westport Road	42	10,035,603	0	2.1%	91,597	0	222,190	N/A	\$5.72	\$6.09
South	517	55,117,001	12,000	3.8%	1,504,143	847,278	682,584	\$4.41	\$7.32	\$4.13
Airport	182	29,948,174	0	3.1%	1,163,679	684,728	253,497	\$5.27	\$6.73	\$3.99
Bishop Lane	212	9,097,027	0	5.6%	427,679	12,800	300,000	\$3.88	\$7.99	\$4.97
Fern Valley	123	16,071,800	12,000	4.1%	-87,215	149,750	129,087	N/A	\$4.25	\$4.05
West / Southwest	181	21,908,313	0	6.0%	-12,641	18,400	0	N/A	\$8.75	\$4.10
Iroquois	7	248,024	0	47.6%	-118,000	0	0	N/A	N/A	\$7.00
Riverport	112	17,608,746	0	4.6%	105,359	18,400	0	N/A	\$8.75	\$3.59
Westend	62	4,051,543	0	9.5%	0	0	0	N/A	N/A	N/A
Bullitt County	63	16,071,056	103,000	13.7%	-342,500	220,241	0	N/A	N/A	\$3.96
Southern Indiana	256	24,893,176	16,000	7.1%	619,956	810,000	469,000	\$3.82	\$11.04	\$3.76
Floyd County	92	5,262,313	0	3.0%	-15,974	0	0	\$3.25	\$13.00	\$3.20
Clark County	164	19,630,863	16,000	8.2%	635,930	810,000	469,000	\$4.17	\$5.75	\$3.77
LOUISVILLE TOTALS	1,850	165,292,579	473,884	5.3%	2,130,991	1,895,919	1,489,082	\$3.76	\$8.91	\$4.07

*Rental rates reflect asking \$psf/year

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

Industrial Market Statistics – By Property Type – Q2 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 WEIGHTED AVG. NET RENT Q2 2018	*DIRECT WEIGHTED AVG. NET RENT Q2 2019
Warehouse/Distribution	628	86,680,940	16,000	7.4%	1,559,879	1,662,878	1,347,777	2,876,449	\$3.79	\$4.07
Manufacturing	986	70,678,955	416,263	2.9%	356,084	220,241	53,224	229,672	\$3.23	\$3.76
Office Service/Flex	236	7,932,684	41,621	4.0%	215,028	12,800	88,081	213,968	\$7.38	\$8.91
LOUISVILLE TOTALS	1,850	165,292,579	473,884	5.3%	2,130,991	1,895,919	1,489,082	3,320,089	\$3.88	\$4.22

Industrial Market Statistics – * Bulk – Q2 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 WEIGHTED AVG. NET RENT Q2 2018	*OVERALL WEIGHTED AVG. NET RENT Q2 2019
Central	3	777,595	0	0%	0	0	0	84,000	N/A	N/A
East	24	4,948,430	128,000	2.6%	96,470	0	150,040	96,470	N/A	\$5.95
South	54	19,676,225	534,991	3.9%	1,413,265	834,478	656,587	1,661,785	\$4.08	\$4.39
West / Southwest	45	11,498,524	0	7.0%	81,454	0	0	604,132	\$3.67	\$3.56
Bullitt County	31	14,007,879	1,108,460	13.9%	-302,500	0	0	0	\$3.89	\$3.96
Southern Indiana	28	12,049,399	426,450	9.8%	531,500	810,000	469,000	62,500	\$3.89	\$3.86
LOUISVILLE TOTALS	185	62,958,052	2,197,901	7.7%	1,820,189	1,644,478	1,275,627	2,508,887	\$3.88	\$3.99

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

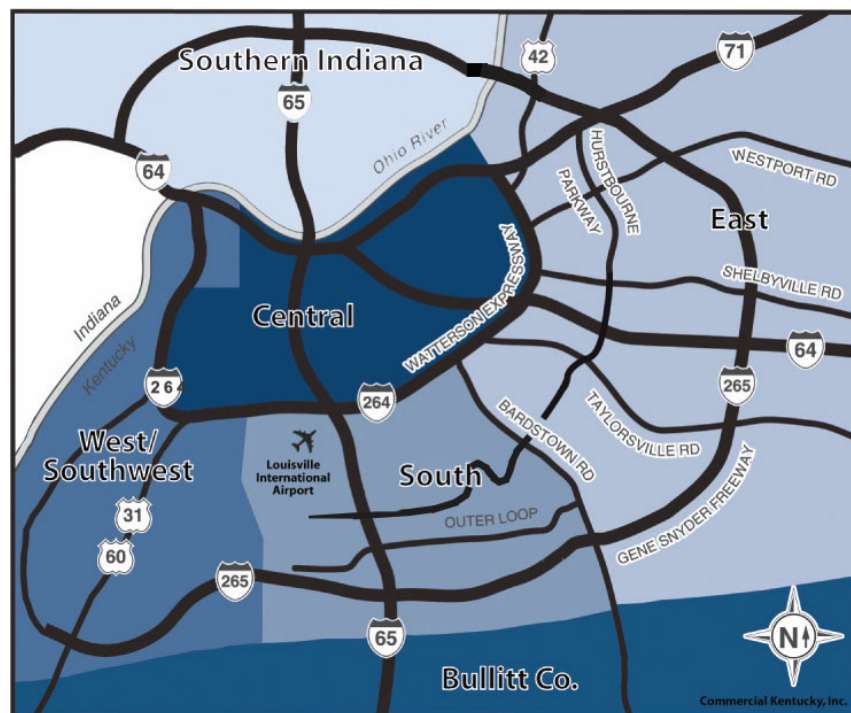
Key Lease Transactions – Q2 2019

Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6901 Riverport Drive	145,890	Upstrem	New Lease	West / Southwest
5808 Johnsonstown Road	95,690	N/A	New Lease	West / Southwest
6024 Shepherdsville Road	64,315	PODS Enterprises	New Lease	South
1150 Patrol Road	62,500	Universal Transport Systems	New Lease	Southern Indiana
7201 Intermodal	52,000	Alani Nutrition	New Lease	West / Southwest
300 Logistics Avenue	50,200	McKesson	New Lease	Southern Indiana

Key Sales Transactions – Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
301 Logistics Avenue	426,450	Opus / Tratt Industrial	\$25,587,000 / \$60	Southern Indiana
9101 Minor Lane	324,991	JAM Development / IAC	\$24,500,000 / \$75	South
100 Brooks Way	259,960	Huntington / MDH Partners	\$16,500,000 / \$63	Bullitt County
5101 Jeff Commerce	210,000	Jefferson United / Stolz Management	\$17,800,000 / \$85	South
2200 Ampere Drive	128,000	FCI Properties / Exeter	\$7,300,000 / \$57	East

Louisville Industrial Submarkets



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