

Industrial Q2 2022

YoY Chg 12-Mo. Forecast

1.5%
Vacancy Rate



2.6M
YTD Net Absorption, SF



\$4.89
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

675.1K
Louisville Employment



3.3%
Louisville Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The U.S. unemployment rate remained unchanged during the second quarter of 2022 at 3.6% according to the Bureau of Labor Statistics. The Bureau also stated that manufacturing employment levels increased by 3,200 jobs during the second quarter while transportation and warehousing employment levels decreased by 100 jobs.

Closer to home, Weiland North American Recycling broke ground on their \$100M facility in Shelby County totaling 100,000 square feet (sf) on 79 acres. The facility will be used to melt copper and copper-alloy for recycling. The investment is expected to bring 75 high paying jobs to the area and be operational by late 2023. Weiland's products are used within numerous industries, such as building and construction, munitions, automotive, coinage, and within electronics and electrical components.

MARKET OVERVIEW

Leasing activity for the second quarter totaled over 3 million square feet (msf). The Bullitt County submarket recorded the most activity with 1,033,188 sf.

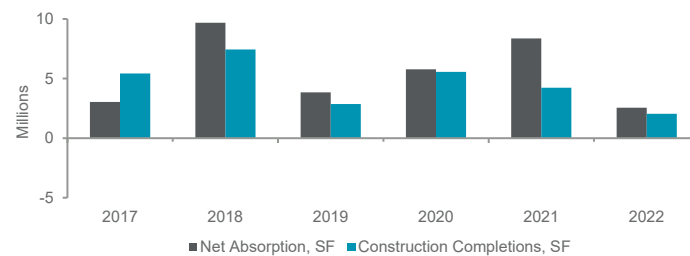
Overall net absorption for the quarter was 1.3 msf, marking the 28th consecutive quarter of positive net absorption. The West / Southwest submarket recorded the most net absorption with 489,350 sf. The Central submarket was the only submarket to record negative absorption during the quarter of -8,118 sf.

The Louisville market had over 1 msf of new construction delivered during the second quarter of 2022. There is currently over 9 msf under construction as developers try to keep up with demand in the area. Of that 9 msf, 2.8 msf is either build-to-suit or pre-leased.

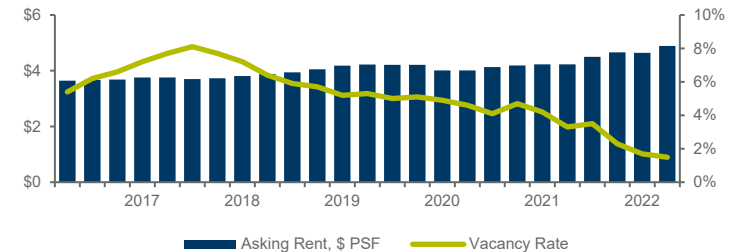
The vacancy rate decreased 20 basis points (bps) during the second quarter from 1.7% to 1.5%. The current vacancy rate of 1.5% is the lowest overall rate ever recorded in the Louisville market. The East submarket had the lowest vacancy rate at the end of the quarter with 0.6%.

Overall average asking rents increased during the quarter from \$4.64 per square foot (psf) to \$4.89 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





BULK OVERVIEW

Bulk leasing activity for the second quarter was 2.7 msf, which is up 1 msf from this time last year. Demand continues to exhibit strength in the market. The Bullitt County submarket recorded the most leasing activity with 1,033,189 sf, which accounted for 38% of all leasing activity for the quarter and was driven by the pre-leasing of Exeter's 974,050 sf building at 3245 Preston Highway by Arvato.

Bulk overall net absorption for the second quarter was 868,276 sf. The Bullitt County submarket recorded the most absorption of 443,520 sf, highlighted by the construction completion of 900 E. Blue Lick Road.

Five new bulk buildings were completed during the second quarter totaling 1 msf in the South, West / Southwest and Bullitt County submarkets. Three of the five buildings were speculative developments which include Summit's 98,079 sf distribution facility in the South submarket and their 110,165 sf distribution facility in the Bullitt County submarket. US Capital completed their 443,520 sf distribution facility in Bullitt County. The two build-to-suits completed this quarter include Paccar's 260,000 sf facility in the West / Southwest submarket and Amazon's 142,438 sf last-mile facility in the South submarket. Construction continues to ramp up to meet the high demand in the market with 9.5 msf currently under construction. The Bullitt County and Southern Indiana submarkets have the most square footage currently under construction with 3.6 msf and 2.8 msf respectively.

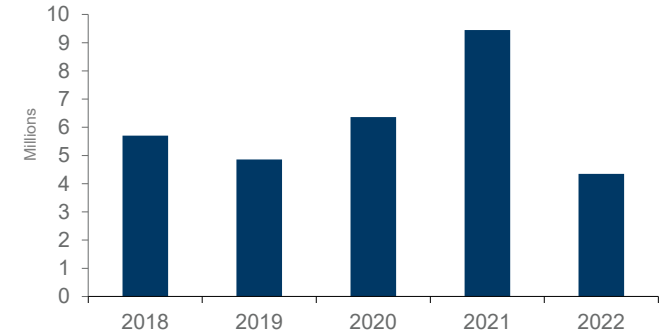
The bulk vacancy rate decreased 10 bps from 1.8% to 1.7% during the second quarter. This is the lowest vacancy rate ever recorded since we began tracking bulk product in 2016. The West / Southwest submarket had the biggest decrease in vacancy, dropping from 3.0% to 1.1%. Additionally, the Southern Indiana, Central and East submarkets ended the second quarter with a bulk vacancy rate of 0.0%.

Average asking rent increased from \$4.79 psf to \$5.26 psf during the second quarter and is up 26.7% from the \$4.15 psf at this time last year. This increase in asking rent can mainly be attributed to overall increase in demand and increased construction costs.

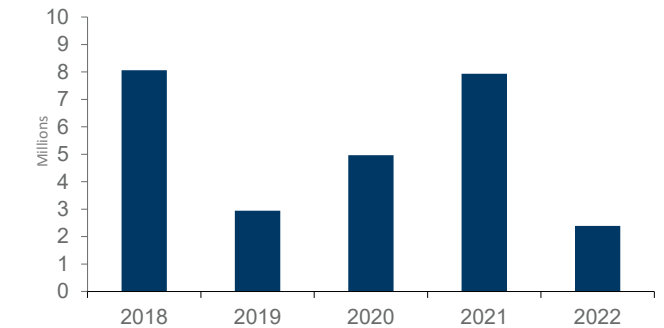
OUTLOOK

- With over 9 msf of bulk product currently under construction, we anticipate supply to catch up with demand later this year leading to an increase in vacancy rates.
- Louisville is expected to experience many of the same pain points as those seen across the country such as a tightening labor supply, supply chain disruptions, extended lead times, material shortages, rising construction costs, and rising interest rates.
- Landlords have begun to increase annual escalation clauses in leases. What used to be 2-3% now approximates 3-4%.
- As lack of available land sites persist, costs and regulatory issues around zoning and developing land for industrial use will continue to rise. Long term, tenants may have fewer choices as they attempt to right size their Louisville operations.

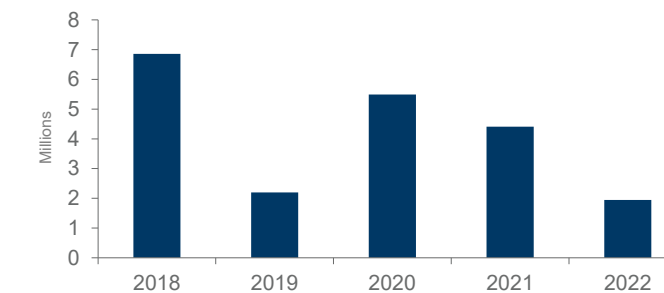
Leasing Activity – Bulk (square feet)



Net Absorption – Bulk (square feet)



Construction Completions – Bulk (square feet)



MARKETBEAT LOUISVILLE

Industrial Q2 2022

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	423	20,679,738	223,651	3.1%	57,954	434,000	0	110,622	\$3.42	\$11.19	N/A
Downtown	218	9,565,510	167,729	6.1%	-1,418	434,000	0	74,790	\$3.34	\$11.35	N/A
I-64	60	1,860,523	0	2.2%	9,570	0	0	12,432	N/A	\$11.09	N/A
I-65	145	9,253,705	55,922	0.3%	49,802	0	0	23,400	\$5.00	N/A	N/A
East	417	27,215,130	135,056	0.6%	174,334	570,120	56,200	467,848	\$6.50	\$9.53	N/A
Jeffersontown	292	13,378,212	135,056	0.7%	94,471	444,120	56,200	325,992	\$6.50	\$8.64	N/A
Middletown / Eastpoint	83	3,794,421	0	1.5%	86,374	126,000	0	101,000	N/A	\$13.37	N/A
Westport Road	42	10,042,497	0	0.2%	-6,511	0	0	40,856	N/A	\$7.85	N/A
South	533	59,481,419	62,709	1.5%	272,198	1,102,502	501,539	1,567,498	\$4.39	\$8.79	\$5.51
Airport	190	32,315,504	35,010	2.0%	-74,077	1,102,502	98,079	581,540	\$4.39	N/A	\$5.38
Bishop Lane	215	9,461,533	10,080	2.6%	207,235	0	362,420	295,200	N/A	\$8.79	\$5.82
Fern Valley	128	17,704,382	17,619	0.0%	139,040	0	41,040	690,758	N/A	N/A	N/A
West / Southwest	183	22,505,213	134,000	1.2%	498,683	996,388	260,000	1,062,220	\$2.25	N/A	\$3.77
Iroquois	7	248,024	0	0%	0	0	0	0	N/A	N/A	N/A
Riverport	114	18,205,646	134,000	0.7%	628,455	996,388	260,000	1,062,220	N/A	N/A	\$4.40
Westend	62	4,051,543	0	3.2%	-129,772	0	0	0	\$2.25	N/A	\$2.75
Bullitt County	72	21,387,216	0	2.4%	1,115,198	3,645,953	1,225,363	1,476,708	\$3.69	N/A	\$5.02
Southern Indiana	262	27,260,729	0	0.9%	433,303	2,790,417	0	678,675	\$4.69	N/A	\$4.55
Floyd County	93	5,362,313	0	0.5%	67,123	0	0	168,903	\$4.75	N/A	\$4.00
Clark County	169	21,898,416	0	0.9%	366,180	2,790,417	0	509,772	\$4.67	N/A	\$4.66
LOUISVILLE TOTALS	1,890	178,529,445	555,416	1.5%	2,551,670	9,539,380	2,043,102	5,363,571	\$3.60	\$10.18	\$5.09

*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 2021	*OVERALL WEIGHTED AVG. NET RENT Q2 2022
Central	3	777,595	0	0%	0	434,000	0	0	\$3.85	N/A
East	26	5,370,061	322,831	0%	98,800	570,120	0	315,920	\$5.95	N/A
South	70	24,278,392	0	3.2%	194,337	1,075,842	219,982	1,142,278	N/A	\$5.52
West / Southwest	47	12,073,024	0	1.1%	363,105	996,388	0	1,056,870	\$3.96	\$4.40
Bullitt County	39	19,057,75	326,720	2.0%	1,115,198	3,645,931	671,678	1,476,709	\$4.10	\$5.02
Southern Indiana	32	14,091,257	0	0.0%	357,318	2,790,417	0	357,318	\$4.26	N/A
LOUISVILLE TOTALS	217	75,648,083	649,551	1.7%	2,128,758	9,512,698	891,660	2,128,758	\$4.15	\$5.26

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

MARKETBEAT LOUISVILLE

Industrial Q2 2022

Key Lease Transactions – Q2 2022

Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3245 Preston Highway*	974,050	Arvato	New Lease	Bullitt
5540 Minor Lane	500,000	Confidential	Sublease	South
7501 Winstead Drive	317,800	Taylored FMI	New Lease	West / Southwest
5710 Cane Run Road*	243,613	Greif Packaging	New Lease	West / Southwest
1231-1243 Durrett Lane	142,438	Amazon	New Lease	South
6901 Riverport Drive	132,352	DHL	New Lease	West / Southwest

*Denotes pre-leasing

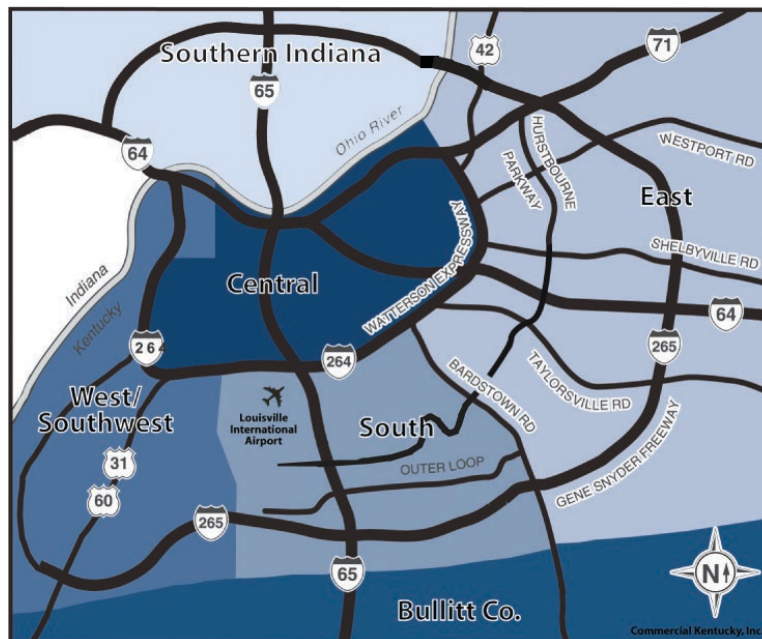
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INDUSTRIAL SUBMARKETS



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