

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
4.1% Vacancy Rate	▼	▲
4.4M YTD Net Absorption, SF	▲	▬
\$4.14 Asking Rent, PSF	▼	▬

Overall, Net Asking Rent

ECONOMIC OVERVIEW

The Louisville economy has begun to bounce back as evidenced by the local unemployment rate dropping to 5.9% during the third quarter. This third quarter number is 290 basis-points (bps) lower than the national unemployment rate and is 1,090 bps lower than the April high of 16.8% according to the Bureau of Labor Statistics. According to the Bureau of Labor Statistics, manufacturing jobs have increased from 62,500 to 78,200 since April while trade and transportation jobs have increased from 135,200 to 146,300 since April. Additionally, e-commerce continues to grow in Louisville as Amazon announced they will be creating 1,000 new jobs in the city.

MARKET OVERVIEW

Overall leasing activity set a record high for the Louisville market with 3.5 million square feet (msf) leased during the third quarter. Most of this activity took place in the Bullitt County submarket which finished the quarter with 2.6 msf leased, a new submarket record for a single quarter. The South submarket also had a strong quarter with 785,856 sf leased. This massive quarter brings year-to-date (YTD) leasing activity up to over 6.0 msf.

Overall net absorption for the quarter was positive 3.18 msf, the second highest quarter ever behind Q2 2018 which had 3.24 msf of positive absorption. Bullitt County set another record with most positive net absorption for a single quarter, absorbing positive 2.6 msf. YTD overall net absorption increased to positive 4.4 msf.

The Louisville market remains hot for new construction with 4.9 msf currently under construction. The South submarket currently has the most product under construction with 1.9 msf, while every other submarket, other than the Central, has over 600,000 sf under construction.

The vacancy rate decreased 50 basis-points (bps) during the third quarter down from 4.6% to 4.1%. 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.

Overall average asking rent increased during the quarter from \$4.02 per square foot (psf) to \$4.14 psf. Warehouse/distribution average asking rents increased from \$4.01 psf to \$4.13 psf while manufacturing average asking rents increased \$3.23 psf to \$3.30 psf. However, office service average asking rents decreased from \$8.49 psf to \$8.41 psf.

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
629.8K Louisville Employment	▼	▲
5.9% Louisville Unemployment Rate	▲	▲
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





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BULK OVERVIEW

Bulk leasing activity for the third quarter was 3.1 msf, the highest bulk leasing activity for a single quarter since Louisville has tracked bulk buildings. Bullitt County accounted for 83% of bulk leasing activity with 2.6 msf, a submarket record. The South submarket had 509,656 of leasing activity during the third quarter. The YTD total for bulk leasing activity is over 4.9 msf.

Bulk overall net absorption was positive 3.1 msf for the third quarter and increased the YTD total to positive 4.0 msf. Bullitt County accounted for 84% of the overall net absorption with positive 2.6 msf of net absorption. Bullitt County and the South submarket have the most YTD positive absorption with positive 2.1 msf and positive 1.2 msf respectively.

Four new bulk buildings were completed during the third quarter for a total of 2.2 msf of completions and bringing the YTD total to 2.9 msf. Gray Industrial Realty and Clarion completed buildings in the Southern Indiana submarket, while Core5 completed a building in Bullitt County and in the South submarket. The biggest highlight from the third quarter was Core5's 1.04 msf building in Bullitt County being leased and absorbed by McKesson during the quarter. Bulk product currently under construction at the end of the third quarter is 4.8 msf with several buildings expected to be completed before the end of the year.

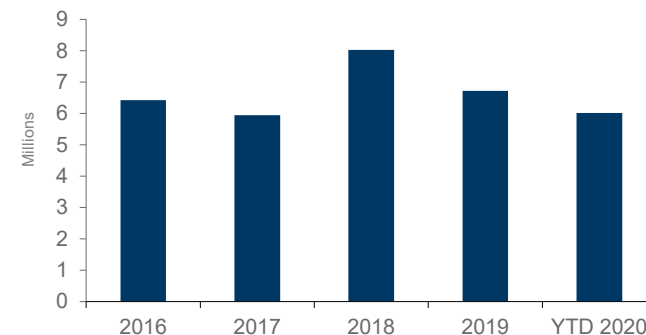
The bulk vacancy rate decreased 130 bps from 6.9% to 5.6% during the third quarter. The Bullitt County vacancy rate decreased from 18.7% to 8.7% due to the significant positive net absorption that occurred in the submarket during the third quarter. The Southern Indiana submarket had a jump in vacancy rate, 5.6% to 12.2%, due to the completion of two new buildings totaling 916,290 sf that are currently vacant.

Average asking rent increased from \$4.01 psf to \$4.17 psf during the third quarter. The South, East, Bullitt County, and Southern Indiana submarkets each had an average asking rent increase of at least \$0.14 psf during the third quarter.

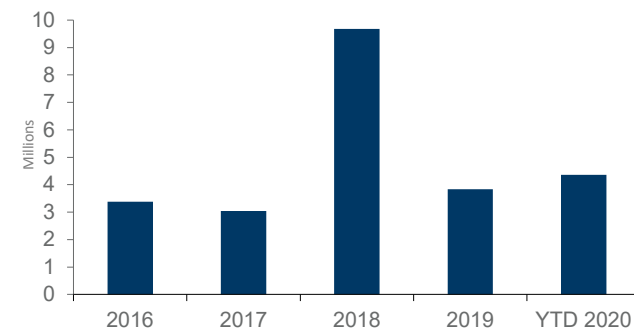
OUTLOOK

- Although leasing activity was at a record high, the total number of transactions is still below the normal amount observed in the market. As the country and the economy continue to climb out of the COVID related recession, the number of transactions may increase in the upcoming quarters.
- Absent significant leasing activity in the fourth quarter, vacancy will increase by year end due to construction completions of speculative space.

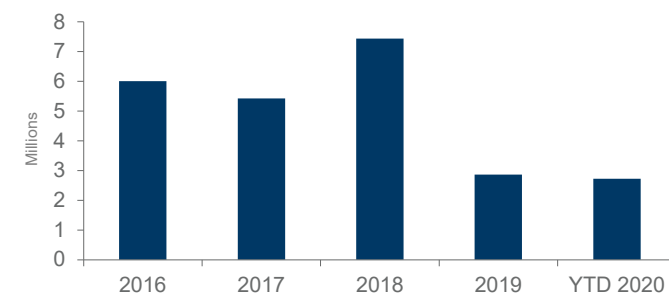
Leasing Activity – Overall (square feet)



Absorption – Overall (square feet)



Construction Completions – Overall (square feet)



MARKETBEAT LOUISVILLE

Industrial Q3 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 (WD)
Central	427	20,856,243	242,896	4.3%	43,534	0	0	\$2.84	\$7.17	\$3.02
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%	-43,246	0	0	\$3.13	N/A	\$3.72
East	410	26,657,869	55,332	2.4%	-109,142	614,184	52,700	\$7.51	\$9.10	\$5.56
Jeffersontown	286	12,926,645	55,332	4.0%	-146,739	322,831	40,000	\$7.51	\$8.03	\$5.50
Middletown / Eastpoint	82	3,695,621	0	2.1%	8,008	291,353	12,700	N/A	\$11.04	N/A
Westport Road	42	10,035,603	0	0.4%	29,589	0	0	N/A	\$7.66	\$5.95
South	524	56,671,232	313,524	2.9%	1,182,753	1,897,643	715,390	\$3.98	\$6.16	\$4.26
Airport	186	31,054,376	313,524	1.8%	981,035	801,196	419,000	\$4.06	N/A	\$4.38
Bishop Lane	213	9,111,462	0	4.4%	-78,262	12,800	12,546	\$3.96	\$6.25	\$3.83
Fern Valley	125	16,505,394	0	4.2%	279,980	1,083,647	283,844	N/A	\$4.25	\$4.36
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	64	17,587,955	0	8.7%	2,100,205	908,600	1,040,158	N/A	N/A	\$4.12
Southern Indiana	259	26,123,561	10,550	8.2%	425,632	802,800	916,290	\$3.76	N/A	\$3.98
Floyd County	92	5,262,313	0	3.5%	33,125	100,000	0	\$3.95	N/A	\$3.20
Clark County	167	20,861,248	10,550	9.4%	392,507	702,800	916,290	\$3.74	N/A	\$3.99
LOUISVILLE TOTALS	1,865	169,827,573	1,125,941	4.1%	4,356,580	4,937,727	2,724,538	\$3.30	\$8.41	\$4.13

*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 Q3 2019	*OVERALL WEIGHTED AVG. NET RENT Q3 2020
Central	3	777,595	0	6.0%	-46,746	0	0	0	N/A	\$3.85
East	24	4,948,430	0	0.7%	63,589	614,184	0	63,589	\$5.95	\$5.95
South	60	21,213,547	0	3.1%	1,241,773	1,884,843	702,844	1,410,967	\$4.37	\$4.75
West / Southwest	45	11,498,524	0	0.9%	196,200	714,500	0	307,800	\$3.64	\$3.50
Bullitt County	32	15,304,537	0	8.7%	2,100,205	908,600	1,296,658	2,711,205	\$3.98	\$4.12
Southern Indiana	31	13,115,689	256,500	12.2%	397,880	702,800	916,290	457,800	\$3.86	\$4.02
LOUISVILLE TOTALS	195	66,858,322	256,500	5.6%	3,952,901	4,824,927	2,915,792	4,951,361	\$4.01	\$4.17

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

MARKETBEAT LOUISVILLE

Industrial Q3 2020

Key Lease Transactions – Q3 2020

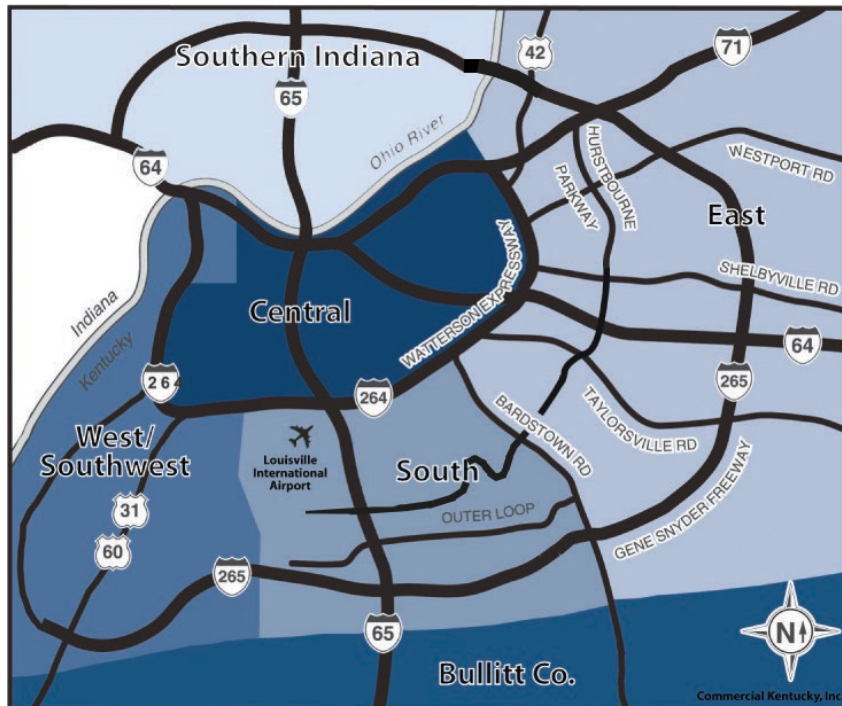
Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
170 Clermont Road	1,040,158	McKesson	New Lease	Bullitt County
649 Omega Parkway	611,000	Amazon	New Lease	Bullitt County
6200 New Cut Road	331,928	UPS	New Lease	South
271 Omega Parkway	283,900	McKesson	New Lease	Bullitt County
1065 Conestoga Parkway	257,000	Turning Point	New Lease	Bullitt County
270 Omega Parkway	172,500	Vista Packaging	New Lease	Bullitt County
6008 New Cut Road	140,000	Lowe's	New Lease	South

Johnny Tobe
Research Analyst
Tel: +1 502 589 5150
jtobe@commercialkentucky.com

Key Sales Transactions – Q3 2020

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
200 Trey Street	256,500	Gray Industrial Realty / Pinchal	Undisclosed	Southern Indiana

INDUSTRIAL SUBMARKETS



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