

# MARKETBEAT

## Louisville

### Industrial Q4 2018



#### LOUISVILLE INDUSTRIAL

##### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Louisville Employment	669k	670k	▲
Louisville Unemployment	3.8%	4.1%	▲
U.S. Unemployment	4.1%	3.7%	▼

\*Numbers above are quarterly averages; November 2018 data used to represent Q4 2018 for Louisville

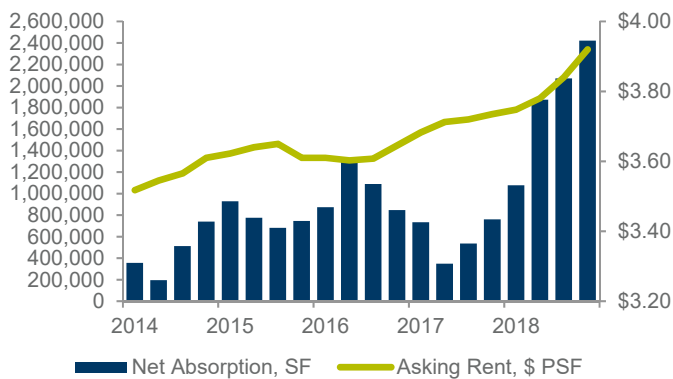
##### Market Indicators (Overall, All Product Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	7.7%	5.7%	▼
YTD Net Absorption (sf)	3.0M	9.6M	▼
Under Construction (sf)	5.8M	2.3M	▼
Average Asking Rent*	\$3.73	\$4.05	▲

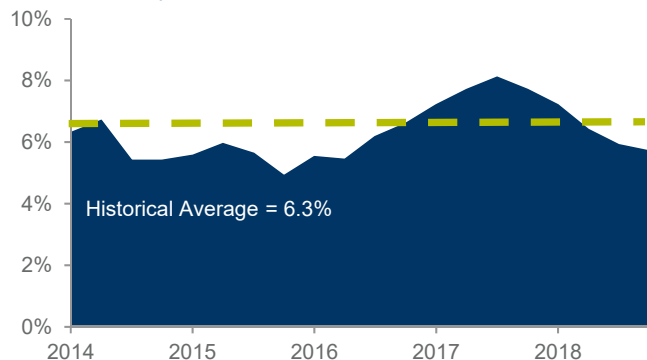
\*Rental rates reflect net asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Market Overview - Overall

Fourth quarter industrial market activity represented a truly impressive end to what has proven to be a banner year characterized by record new construction, record leasing and absorption activity, and a significant decline in the vacancy rate for industrial product.

Fourth quarter leasing activity of over 2.7 million square feet (msf) pushed the year-end total to over 8.0 msf, breaking the previous record set in 2008 of 7.4 msf. The South, Southern Indiana, and Bullitt County submarkets accounted for 70% of this record leasing activity. Southern Indiana is the standout submarket, recording over 1.9 msf of activity for 2018, the highest amount of leasing activity ever recorded for this submarket.

The fourth quarter overall vacancy rate decreased from 5.9% reported in the third quarter to 5.7%. The Warehouse / Distribution sector's vacancy decreased from 8.5% last quarter to 7.6%, while the manufacturing sector reached a record low vacancy rate of only 3.4%. The East submarket continues to hold its claim as having the lowest vacancy rate in the Louisville MSA at only 1.3%. Both Southern Indiana and Bullitt County recorded record high vacancy rates end of year 2017 of 14.2% and 17.4% respectively, but thanks to significant 2018 leasing and absorption activity in both submarkets, they are now at 8.2% and 11.5% respectively at the end of the year.

Fourth quarter overall absorption totaled 2.6 msf bringing the year-end total to a new high of 9.7 msf – more than double the previous record of 4.2 msf set in 2008. The combined South and Southern Indiana submarkets reached all time absorption highs, accounting for 72% of the year-end total at 3.9 msf and 3.1 msf respectively. The Warehouse / Distribution sector dominated this year's absorption claiming 90% of the total. The five-year average for overall absorption in the Louisville metro area now stands at 4.4 msf, more than double the previous five-year average.

Overall industrial asking rents have increased across the board with Warehouse / Distribution rising to \$3.88 per square foot (psf), Manufacturing to \$3.72 psf, and Office / Services to \$7.37 psf. The combination of all three result in an overall asking rate of \$4.05 psf.

### Market Overview - Bulk

Fourth quarter 2018 bulk leasing activity of 2.0 msf brought the year-end total to a record setting 5.7 msf, accounting for 71% of 2018's total leasing activity. Notable transactions in the fourth quarter included two in River Ridge with Hydra Logistics and Denso leasing 506,177 sf and 311,815 sf respectively. Material Handling Systems leased 256,422 sq ft in the Fern Valley submarket and Advanced Distribution leased 251,055 sf in the Central submarket. Algood Foods commenced its lease at its new 210,960 sf build-to-suit (BTS) facility at Riverport.

The fourth quarter bulk vacancy rate significantly decreased from 11.9% in 2017 to 8.7% at year-end 2018. Southern Indiana (River Ridge) and Bullitt County experienced largest vacancy rate decrease. Southern Indiana dropped from a high of 19.2% last year to its current 10.7%. This decrease is attributed to significant leasing activity including Medline's move to its new 1.1 msf facility completed in the fourth quarter. Bullitt County vacancy reduced from 18.2% last year to 11.7% largely due to a 721,050 sf eCommerce lease - the largest speculative lease in Louisville MSA history.

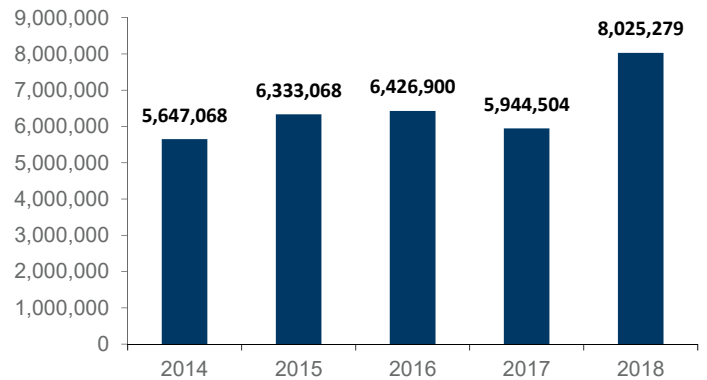
Record-setting bulk absorption of 8,065,017 at year-end 2018 is the most absorption ever recorded in the Louisville industrial market. Once again, the South and Southern Indiana submarkets accounted for significant BTS absorption this year which included new bulk facilities for Grainger, UPS, and Medline.

Bulk construction completions for the fourth quarter totaled over 2.2 msf, bringing the year-end total of completions to a record setting 6.9 msf. This total includes over 3.9 msf of BTS activity and 2.9 msf of speculative construction. The past three-year-run of record setting construction activity totals 16.5 msf.

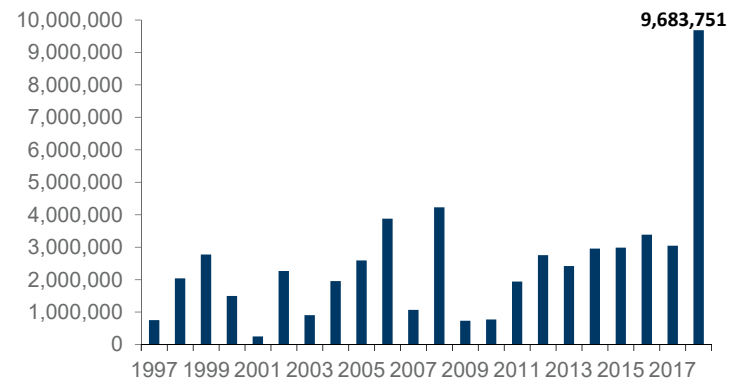
### Outlook

- With less than 2 msf of BTS and SPEC construction in the pipeline, 2019 completions may reach 2 – 3 msf.
- Demand will likely outpace supply resulting in a vacancy decrease in 2019.
- Although 2019 net absorption will continue to be positive, it will not likely match the extraordinary absorption that occurred in 2018.

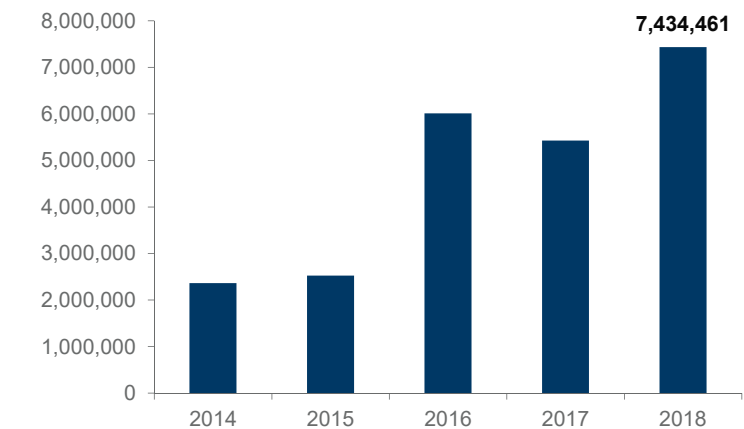
Leasing Activity - Overall (square feet)



Absorption - Overall (square feet)



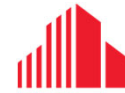
Construction Completions - Overall (square feet)



# MARKETBEAT

## Louisville

Industrial Q4 2018



**CUSHMAN & WAKEFIELD**

Commercial Kentucky

### Industrial Market Statistics – Overall – Q4 2018

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)
<b>Central</b>	<b>429</b>	<b>20,736,361</b>	<b>193,586</b>	<b>5.6%</b>	<b>842,856</b>	<b>0</b>	<b>274,805</b>	<b>\$3.20</b>	<b>\$6.70</b>	<b>\$2.75</b>
Downtown	219	9,683,129	72,299	10.5%	380,024	0	0	\$3.14	\$5.78	\$2.75
I-64	61	1,886,323	92,727	3.4%	18,254	0	23,750	\$4.00	\$7.58	N/A
I-65	149	9,166,909	28,560	0.9%	444,578	0	251,055	\$3.49	\$8.72	N/A
<b>East</b>	<b>402</b>	<b>26,119,431</b>	<b>18,000</b>	<b>1.3%</b>	<b>595,720</b>	<b>342,740</b>	<b>428,497</b>	<b>\$5.50</b>	<b>\$7.59</b>	<b>\$5.95</b>
Jeffersontown	283	12,662,647	18,000	1.7%	372,967	93,550	131,247	\$5.50	\$7.10	N/A
Middletown / Eastpoint	79	3,643,371	0	1.6%	72,700	27,000	75,000	\$5.50	\$9.91	N/A
Westport Road	40	9,813,413	0	0.8%	150,053	222,190	222,250	N/A	\$7.00	\$5.95
<b>South</b>	<b>509</b>	<b>53,529,480</b>	<b>332,610</b>	<b>4.1%</b>	<b>3,887,419</b>	<b>879,570</b>	<b>4,262,108</b>	<b>\$4.34</b>	<b>\$7.13</b>	<b>\$4.17</b>
Airport	176	28,666,820	32,010	5.0%	3,121,851	253,533	3,889,040	\$4.92	\$6.73	\$4.05
Bishop Lane	211	8,919,947	0	3.7%	18,512	347,200	23,068	\$3.96	\$7.48	\$4.46
Fern Valley	122	15,942,713	300,600	2.8%	747,056	278,837	350,000	\$7.42	\$4.25	\$4.43
<b>West / Southwest</b>	<b>186</b>	<b>22,774,474</b>	<b>264,702</b>	<b>7.7%</b>	<b>106,093</b>	<b>0</b>	<b>210,960</b>	<b>N/A</b>	<b>\$6.75</b>	<b>\$3.63</b>
Iroquois	12	1,280,881	0	35.7%	-5,000	0	0	N/A	\$8.50	\$3.75
Riverport	112	17,608,746	118,809	5.2%	416,249	0	210,960	N/A	\$6.43	\$3.56
Westend	62	3,884,847	145,893	9.9%	-305,156	0	0	N/A	N/A	N/A
<b>Bullitt County</b>	<b>63</b>	<b>16,071,056</b>	<b>0</b>	<b>11.5%</b>	<b>1,134,637</b>	<b>572,000</b>	<b>262,106</b>	<b>N/A</b>	<b>N/A</b>	<b>\$3.95</b>
<b>Southern Indiana</b>	<b>255</b>	<b>24,601,453</b>	<b>475,000</b>	<b>8.2%</b>	<b>3,117,026</b>	<b>469,000</b>	<b>1,995,985</b>	<b>\$3.80</b>	<b>\$8.34</b>	<b>\$3.65</b>
Floyd County	93	5,385,313	455,000	2.4%	541,428	0	17,608	\$3.25	\$13.00	\$4.20
Clark County	162	19,216,140	20,000	9.8%	2,575,598	469,000	1,978,377	\$4.03	\$5.00	\$3.64
<b>LOUISVILLE TOTALS</b>	<b>1,844</b>	<b>163,832,255</b>	<b>1,283,898</b>	<b>5.7%</b>	<b>9,683,751</b>	<b>2,263,310</b>	<b>7,434,461</b>	<b>\$3.72</b>	<b>\$7.37</b>	<b>\$3.88</b>

\*Rental rates reflect asking \$psf/year

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

### Industrial Market Statistics – By Property Type – Q4 2018

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 Q4 2017	*DIRECT WEIGHTED AVG. NET RENT Q4 2018
Warehouse/Distribution	623	85,396,165	593,688	7.6%	8,692,533	1,769,527	6,834,651	6,717,114	\$3.67	\$3.88
Manufacturing	993	70,656,136	668,474	3.4%	924,989	372,233	549,846	1,050,066	\$3.09	\$3.72
Office Service/Flex	228	7,779,954	21,736	6.0%	66,229	121,550	49,964	258,099	\$7.10	\$7.37
<b>LOUISVILLE TOTALS</b>	<b>1,844</b>	<b>163,832,255</b>	<b>1,283,898</b>	<b>5.7%</b>	<b>9,683,751</b>	<b>2,263,310</b>	<b>7,434,461</b>	<b>8,025,279</b>	<b>\$3.73</b>	<b>\$4.05</b>

### Industrial Market Statistics – \* Bulk – Q4 2018

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 2017	*OVERALL WEIGHTED AVG. NET RENT Q4 2018
Central	3	777,595	0	0%	335,255	0	251,055	335,255	\$3.95	N/A
East	23	4,798,390	0	1.6%	369,211	150,040	174,900	439,211	\$5.35	\$5.95
South	49	18,216,893	110,000	5.9%	3,355,237	759,337	4,127,390	1,237,273	\$3.95	\$4.14
West / Southwest	47	12,301,269	772,052	10.9%	384,003	0	210,960	667,939	\$3.55	\$3.56
Bullitt County	31	14,007,879	1,553,050	11.7%	1,107,544	572,000	235,013	1,507,385	\$3.87	\$4.05
Southern Indiana	27	11,580,399	592,800	10.7%	2,513,767	469,000	1,856,177	1,518,767	\$3.86	\$3.88
<b>LOUISVILLE TOTALS</b>	<b>180</b>	<b>61,682,425</b>	<b>3,027,902</b>	<b>8.7%</b>	<b>8,065,017</b>	<b>1,950,377</b>	<b>6,855,495</b>	<b>5,705,830</b>	<b>\$3.85</b>	<b>\$3.93</b>

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

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**Louisville**  
**Industrial Q4 2018**



**Key Bulk Lease Transactions – 2018**

Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
120 Velocity Way	721,050	eCommerce Tenant	New Lease	Bullitt County
300 Hilton Drive	506,177	Hydra Warehouse	New Lease	River Ridge
10301 Air Commerce Drive	369,710	Ford	New Lease	South
9101 Minor Lane	324,991	eCommerce Tenant	New Lease	South
857 Park Loop Road	315,120	New Flyer	New Lease	Bullitt County
301 Logistics Avenue	311,815	Denso	New Lease	River Ridge
201 Paul Garrett Avenue	305,760	Haier	New Lease	River Ridge
7101 Distribution Drive	267,600	Pegasus	New Lease	Riverport
11400 Interchange Drive	256,422	Material Handling Systems	New Lease	South
350 Salem Road	252,515	Bluegrass Supply	New Lease	River Ridge
2349 Millers Lane	251,055	Advanced Distribution	New Lease	Central
2621 Technology Drive	224,000	Kentuckiana Comfort	New Lease	East
10611 Freeport Drive	210,960	Algood Foods	New Lease	Riverport
419 Park Loop Court	200,906	Saddle Creek	New Lease	Bullitt County
4400 Commerce Crossings Drive	140,000	Houston Johnson	New Lease	South

**Key Bulk Sales Transactions – 2018**

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
376 Zappos.com Blvd.	832,000	Lauth Property Group / USAA Real Estate Company	\$38,746,240 / \$47	Bullitt County
120 Velocity Way	721,050	Browning Investments / Granite	Undisclosed	Bullitt County
250 Hilton Drive	592,800	Van Trust / GLP	\$38,400,000 / \$65	River Ridge
7251 Logistics Drive	362,500	Panattoni / Paul & Eleanor Sade Trust	\$23,546,010 / \$65	Riverport
6101 Cane Run Road	310,552	Venture Two Holdings / MDH Partners	\$9,000,000 / \$29	Riverport
4325 Robards Lane	110,000	Dixie Real Properties / Exeter	\$6,925,000 / \$63	South

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