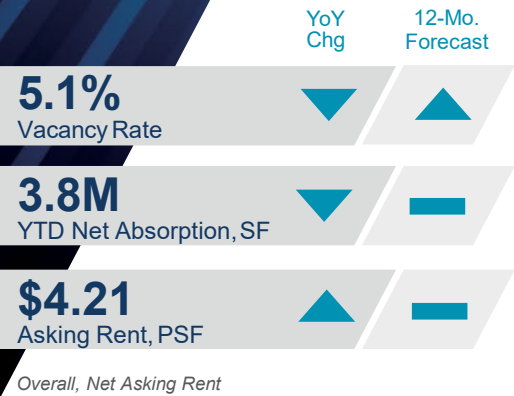
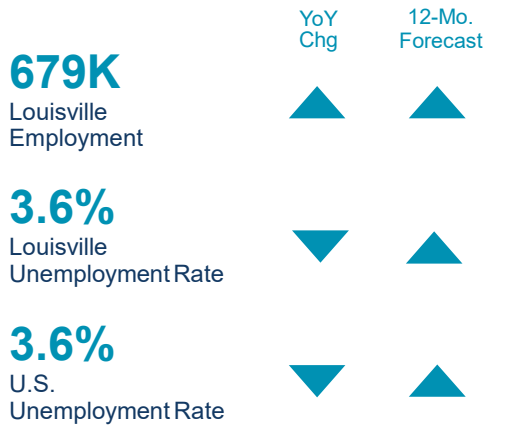


Industrial Q4 2019



ECONOMIC INDICATORS Q4 2019



Source: BLS

ECONOMIC OVERVIEW

The manufacturing industry slowed down in 2019 evidenced by a marginal increase in job creation. According to the Bureau of Labor Statistics, only 46,000 manufacturing jobs were created in 2019 compared to 264,000 in 2018. The Institute of Supply Management index for manufacturing activity reported that December was the fifth consecutive month the manufacturing industry was contracting. The index also noted that it is contracting at a rate not seen since June 2009.

As eCommerce continues to grow, the demand for warehouse/distribution buildings will continue to grow as well. The U.S. Department of Commerce reported eCommerce sales accounted for 11.2% of total sales in the third quarter 2019, and expects this number to grow even more when the fourth quarter numbers are published in February 2020.

SUPPLY AND DEMAND

After an unprecedented 2018, demand remained high throughout 2019. Vacancy rates decreased to 5.1% as the supply was unable to keep up with the demand in the market. In bulk buildings, the vacancy rate decreased from 8.7% in 2018 to 7.6% at the end of 2019. This was the lowest vacancy rate seen in bulk buildings since 2015.

As a result of this sustained demand, 4.7 million square feet (msf) of new construction are expected to be completed in 2020. This includes three buildings, all over 900,000 square feet (sf), something never before seen in the Louisville market, and a bullish sign from developers that market demand will continue to grow.

PRICING

Overall average net asking rent rose from \$4.05 per square foot (psf) in 2018 to \$4.21 psf at the end of 2019. In bulk buildings, average asking rent rose from \$3.93 psf to \$4.01 psf. Across industrial property types, warehouse/distribution and office service asking rents increased to \$4.18 psf and \$8.20 psf respectively. Manufacturing average asking rents ended 2019 at \$3.38 psf, a 9.13% decrease from the 2018 average asking rent of \$3.72 psf.

Warehouse/Distribution average asking rents increased in every industrial submarket except for the East where average asking rent dropped to \$5.56 psf a 6.6% decrease from 2018's average asking rent. Asking rents should continue to increase into early 2020 due to demand outweighing the supply. Once the completed construction hits the market, asking rents should level off as tenants will have a wider range of buildings to select.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET OVERVIEW

After a record breaking 2018, the Louisville industrial market continued to thrive. Overall leasing activity for 2019 ended at 6.7 msf, the second highest since 2008. The South submarket ended the year with 3.2 msf of leasing activity, its' highest number ever recorded. Additionally, two big investment sales took place in the fourth quarter with Exeter buying the former Medline building in the Bullitt submarket for \$20 million, and an affiliate of J.W. Mitchell, a California company, buying 12900 Plantside Drive, a FedEx occupied building, for \$48 million in the East submarket.

Overall net absorption ended 2019 at 3.8 msf, the second highest number seen in the Louisville industrial market since 2008. The Southern Indiana and East submarkets ended the year with 870,789 sf and 334,235 sf of absorption, respectively, making it nine straight years of positive absorption for both submarkets. The South submarket reported 2.2 msf of absorption accounting for 56.7% of overall net absorption, and making it 10 consecutive years of positive absorption for the submarket.

BULK OVERVIEW

The Louisville bulk market continued to grow as nine new buildings were added to the market in 2019, and eight more bulk buildings are currently under construction with expected completion dates in 2020. This includes three buildings all over 900,000 sf under construction by Core5 Industrial Partners, Nicklies Development, and Browning Investments.

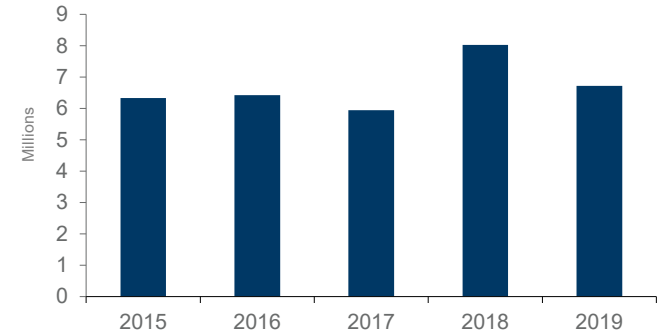
Leasing activity in 2019 for bulk buildings was 4.9 msf, with the South submarket accounting for 2.4 msf alone. The Riverport submarket saw a 73% increase in leasing activity between 2018 and 2019, ending the year with just under 1.2 msf leased. The biggest lease of the fourth quarter occurred in the Bullitt submarket with Dow Corning expanding its footprint to 527,535 sf.

Net absorption for bulk buildings ended 2019 at 2.9 msf. Excluding the record setting performance of 8.1 msf in 2018, 2019's year end absorption total is the second highest since the 3.2 msf recorded in 2015. The South submarket had the most net absorption at 1.9 msf, 65.5% of all bulk net absorption for 2019.

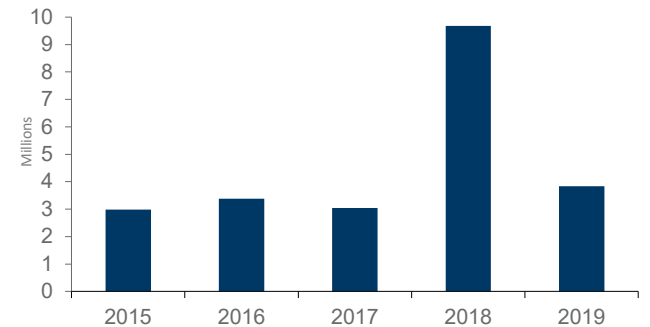
OUTLOOK

- With over 4.5 msf of speculative construction expected to be completed in the bulk market in 2020 and only 125,000 sf preleased, expect vacancy rates to increase .
- Positive net absorption numbers in 2020 will depend on if the newly constructed buildings are leased by tenants relocating from elsewhere within the market, or expanding their presence within the Louisville MSA. These buildings will also attract tenants not currently in the Louisville market.
- eCommerce's continued growth will increase the demand for warehouse/distribution buildings and the need for additional supply will be seen in new construction.

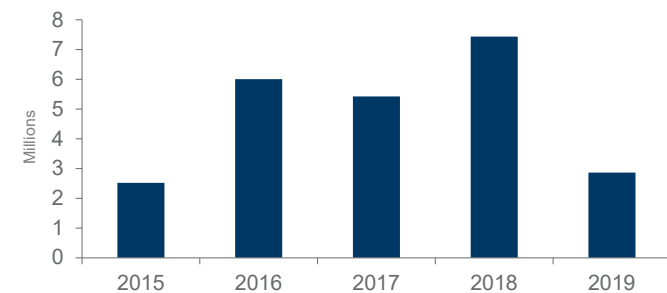
Leasing Activity – Overall (square feet)



Absorption – Overall (square feet)



Construction Completions – Overall (square feet)



MARKETBEAT LOUISVILLE

Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR 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	461,413	4.6%	256,890	0	63,864	\$2.99	\$7.31	N/A
Downtown	220	9,666,620	325,283	8.1%	210,912	0	0	\$2.94	\$6.07	N/A
I-64	60	1,860,523	0	1.1%	43,775	0	0	\$4.00	\$12.42	N/A
I-65	147	9,329,100	136,130	1.5%	2,203	0	63,864	\$3.13	\$8.03	N/A
East	407	26,594,769	161,321	1.8%	334,235	40,000	421,613	\$6.08	\$8.90	\$5.56
Jeffersontown	284	12,876,245	145,001	2.6%	101,534	40,000	171,873	\$9.96	\$8.27	\$5.45
Middletown / Eastpoint	81	3,682,921	16,320	1.9%	-1,066	0	27,550	\$5.50	\$10.26	N/A
Westport Road	42	10,035,603	0	0.7%	233,767	0	222,190	N/A	\$6.33	\$5.95
South	520	55,951,479	266,601	4.1%	2,176,145	1,363,197	1,517,062	\$4.08	\$7.46	\$4.31
Airport	184	30,632,902	171,302	3.6%	1,675,530	419,000	938,225	\$4.12	\$6.73	\$4.50
Bishop Lane	212	9,097,027	72,643	5.3%	457,807	12,800	300,000	\$4.06	\$7.95	\$4.47
Fern Valley	124	16,221,550	22,656	4.2%	42,808	931,397	278,837	N/A	\$9.28	\$4.07
West / Southwest	181	21,930,713	12,000	3.9%	464,716	314,500	22,400	\$1.03	\$9.23	\$4.65
Iroquois	7	248,024	0	47.6%	-118,000	0	0	N/A	N/A	\$7.00
Riverport	112	17,631,146	12,000	1.8%	619,816	314,500	22,400	N/A	\$9.23	\$3.77
Westend	62	4,051,543	0	10.4%	-37,100	0	0	\$1.03	N/A	N/A
Bullitt County	63	16,291,297	103,000	14.4%	-265,264	1,946,840	220,241	N/A	N/A	\$4.01
Southern Indiana	257	25,043,176	57,520	6.6%	870,789	1,009,790	619,000	\$4.11	N/A	\$3.84
Floyd County	92	5,262,313	0	4.1%	-72,270	100,000	0	N/A	N/A	\$4.75
Clark County	165	19,780,863	57,520	7.3%	943,059	909,790	619,000	\$4.11	N/A	\$3.78
LOUISVILLE TOTALS	1,855	166,667,677	1,061,855	5.1%	3,837,511	4,674,327	2,864,180	\$3.38	\$8.20	\$4.18

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex WD = 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 CNSTR COMPLETIONS (SF)	YTD OVERALL LEASING ACTIVITY	*OVERALL WEIGHTED AVG. NET RENT Q4 2018	*OVERALL WEIGHTED AVG. NET RENT Q4 2019
Central	3	777,595	0	0%	0	0	0	84,000	N/A	N/A
East	24	4,948,430	431,369	2.0%	130,490	0	150,040	160,490	\$5.95	\$5.86
South	57	20,510,703	534,991	6.1%	1,927,907	1,350,397	1,426,065	2,371,427	\$4.14	\$4.48
West / Southwest	45	11,498,524	172,192	2.6%	587,450	314,500	0	1,156,755	\$3.56	\$3.77
Bullitt County	31	14,007,879	1,508,720	15.2%	-485,505	1,946,840	0	583,695	\$4.05	\$4.01
Southern Indiana	29	12,199,399	676,450	8.9%	781,500	909,790	619,000	500,500	\$3.88	\$3.83
LOUISVILLE TOTALS	189	63,942,530	3,323,722	7.6%	2,941,842	4,521,527	2,260,105	4,856,867	\$3.93	\$4.01

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

MARKETBEAT LOUISVILLE

Industrial Q4 2019

Key Lease Transactions – Q4 2019

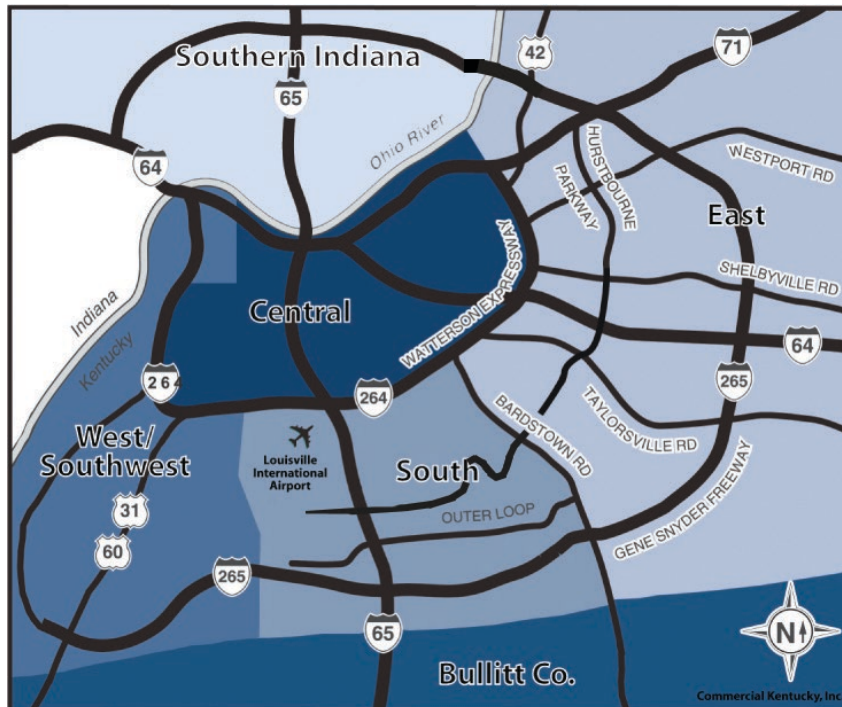
Property	SF	TENANT	TRANSACTION TYPE	SUBMARKET
700 Omega Parkway	527,535	Dow Corning	New Lease	Bullitt
101 Lewman Way	250,000	Saddle Creek	New Lease	Southern Indiana
4400 Commerce Crossings Drive	250,000	Fives Logistics	New Lease	South
7665 National Turnpike	244,870	Clariant	New Lease	South

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Key Sales Transactions – Q4 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1065 Conestoga Parkway	400,260	Medline / Exeter	\$20M / \$50	Bullitt
12900 Plantside Drive	303,369	CPI Plantside Drive / JWM Louisville	\$48M / \$158	East
500 East Burnett Avenue	106,050	Fives Logistics / Cepeda Associates	\$3.6M / \$34	Central

INDUSTRIAL SUBMARKETS



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