



U.S. ECONOMIC UPDATE

The arrival of the COVID-19 pandemic has created an economic shock that has likely pushed the global economy and the U.S. into recession. Policies initiated to “flatten the curve” of potential infection include the voluntary and mandated shutdown of large sectors and regions of the economy. Retail establishments, restaurants, passenger transportation, schools and leisure activities have almost all grinded to a halt while customers self-quarantine and practice social distancing.

RECORD-SETTING LAYOFFS, DECLINING EMPLOYMENT

Over the last two weeks (ending on March 28th), a cumulative 10 million people have applied for unemployment benefits—by far the largest number of applications in history since record-keeping began in 1967. Initial unemployment claims are a highly reliable leading indicator of trends in labor markets and therefore the economy at large. Given the size of the increase, along with other high-frequency data trends that are similarly bleak, it is widely believed that the U.S. economy has entered a recession. This was reinforced in early April when the Labor Department reported that payroll employment in the U.S. fell by 701,000 jobs in March, one of the largest declines in history. It's all but certain that even more jobs will be lost in the months ahead.

Given the way these events have unfolded and the huge number of layoffs, the current thinking among economic forecasters is that the second quarter of 2020 will see one of the largest real GDP declines in U.S. history. What is less clear is what the economic trajectory will be following Q2. As of this writing (4-7-2020), hopeful signs are emerging that policy steps to “flatten the curve” are beginning to work in certain areas, but many unknowns remain. It is too soon to say if these signs are sustainable and how they will impact the trajectory of the economy.

We continue to monitor developments extremely closely and are working around the clock to publish data and insight as quickly as possible.

To view our latest perspective on the coronavirus and its potential impact on CRE and the economy, access Cushman & Wakefield's [COVID-19 resource page](#).

TRENDS AND INSIGHTS

Cushman & Wakefield Covid-19 Webinar Replay

Learn more on the evolving COVID-19 situation and its implication for **real estate occupiers and investors**.

[Click to Replay](#)

COVID-19: A Wholly Unprecedented Policy Response

On March 27, 2020, an enormous \$2.2 trillion emergency coronavirus stimulus package was signed into law by President Trump. The legislative package—the Coronavirus Aid, Relief and Economic Security (CARES) Act—is the largest rescue package in U.S. history. [Click for Summary](#)

Lessons From Landlords In China's Post Covid-19 Recovery Phase

With local infections down, China is getting back to work. As the lights are turned back on in offices across the country, landlords and tenants alike are inevitably finding themselves in a new paradigm. [Click for Article](#)

2020 Asia Pacific Office Outlook

In this report, you will find detailed but succinct analysis of the trends in each of the region's key Grade A office markets over the next two years that we hope will help refine your organization's CRE strategy.

[Click for Article](#)

CUSHMAN & WAKEFIELD
WEEKLY COVID-19 UPDATES

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CBD

The CBD office market started 2020 strong, reporting 116,212 square feet (sf) of leasing activity in the first quarter. Surprisingly, this first quarter number exceeded the year end total of leasing activity in the CBD for 2018. This hot start to the year was highlighted by the Louisville Metro Government leasing over 51,000 sf to relocate some of their operations to the First Trust Centre. They will begin to move in to their new space during the second or third quarter.

Net absorption in the CBD for the first quarter was reported at negative 11,614 sf. Class A net absorption was reported at positive 7,170 sf and Class B reported negative 18,784 sf of net absorption. For the first time since the fourth quarter of 2018, CBD Class A net absorption was positive.

The vacancy rate rose 70 basis-points (bps) from 17.5% to 18.2% at the end of the first quarter. Class A dropped 30-bps to 19.5% where as Class B rose from 15.8% to 17.3%, a 150 bps increase.

CBD average asking rent decreased from \$16.83 per square foot (psf) to \$16.68 psf at the end of the first quarter. Class A average asking rent also decreased from the previous quarter, dropping from \$18.81 psf to \$18.74 psf. However, Class B average asking rents increased from \$14.69 psf to \$14.86 psf. Although overall average asking rent decreased this quarter, it is higher than the \$16.44 psf observed at this point last year.

Suburban

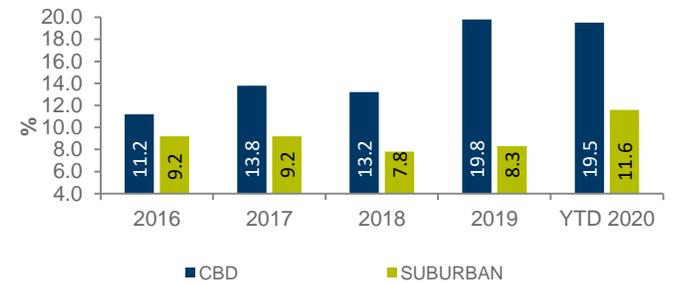
The suburban office market had another impressive quarter with regards to leasing activity. Overall, there was 192,171 sf of leasing activity with 122,568 sf of that in Class A properties. The Hurstbourne/Eastpoint submarket accounted for 42% of suburban leasing activity with 81,305 sf leased. Aperture and Clearpath leasing 28,713 sf and 20,416 sf respectively were the two largest leases coming out of the Hurstbourne/Eastpoint submarket this quarter.

Net absorption in the suburban submarket ended at negative 64,702 sf. Net absorption for Class A and Class B was negative 76,873 sf and positive 13,121 sf respectively.

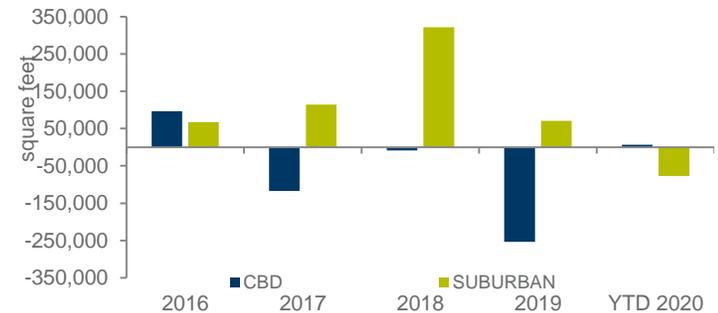
The suburban vacancy rate increased to 10.3%, up 170 bps from the end of 2019. The main cause for the increase was the completion of Olympia Two, a 135,917 sf building. The completion of this building also had an effect on the Class A vacancy rate as well as the Northeast submarket vacancy rate. Those vacancy rates increased to 11.6% and 17.2% respectively. However, some leasing activity has already occurred in the building which will drop the vacancy rates when tenants begin to move in later in the year.

Suburban average asking rent increased from \$19.35 psf to \$20.14 psf. Class A suburban average asking rent increased from \$22.12 psf to \$22.55 psf while Class B average asking rent decreased from \$16.78 psf to \$16.72 psf. Additionally, the Southeast, Northeast, and St. Matthews submarkets all saw an increase in average asking rent from the previous quarter with the biggest change occurring in the Northeast submarket. The Northeast average asking rent jumped up to \$25.32 psf from \$22.25 psf last quarter due to the completion of Olympia Two.

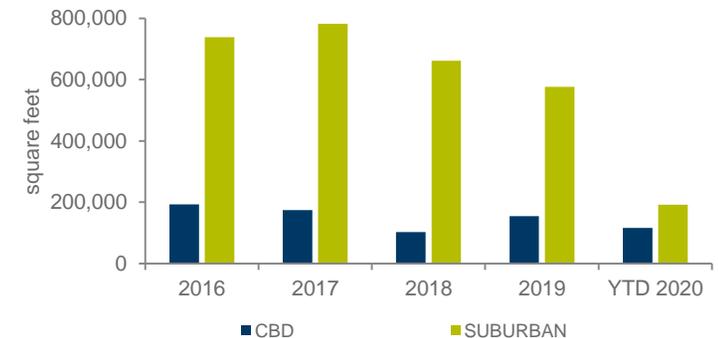
Class A Overall Vacancy Rates – CBD & Suburban



Class A YTD Overall Net Absorption – CBD & Suburban



YTD Leasing Activity – CBD & Suburban





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	8,890,632	29,214	1,589,543	18.2%	-11,614	-11,614	116,212	0	\$16.68	\$18.74
SUBURBAN	11,688,977	46,945	1,152,892	10.3%	-64,702	-64,702	192,171	167,011	\$20.14	\$22.55
Old Louisville	399,940	0	56,224	14.1%	0	0	0	0	\$16.18	N/A
Hurstbourne / Eastpoint	4,907,307	44,003	466,712	10.4%	-87,038	-87,038	81,305	167,011	\$21.75	\$22.12
Plainview / Middletown	1,457,721	0	225,469	15.5%	12,829	12,829	26,435	0	\$17.41	\$21.00
Southeast	1,182,652	0	30,427	2.6%	2,451	2,451	6,079	0	\$16.66	\$17.00
Northeast	896,861	0	154,305	17.2%	16,273	16,273	41,883	0	\$25.32	\$25.49
St. Matthews	1,402,562	2,942	109,929	8.0%	-9,217	-9,217	5,429	0	\$16.69	\$22.03
South Central	1,441,934	0	109,826	7.6%	0	0	31,040	0	\$16.51	\$18.50
LOUISVILLE TOTALS	20,579,609	76,159	2,742,435	13.7%	-76,316	-76,316	308,383	167,011	\$18.23	\$20.67

*Rental rates reflect full service asking

**Does not include renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	9,861,459	44,866	1,401,784	14.7%	-69,703	-69,703	152,595	119,011	\$20.75	\$20.67
Class B	10,065,353	31,293	1,271,662	12.9%	-5,663	-5,663	155,788	48,000	\$15.61	\$15.56
Class C	652,797	0	68,989	10.6%	-950	-950	0	0	\$11.86	\$11.86

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
200 South Fifth Street	CBD	Louisville Metro	51,160	Direct
1951 Bishop Lane	South Central	Norton Healthcare	31,040	Expansion
9960 Corporate Campus Drive	Hurstbourne / Eastpoint	Aperture	28,713	Direct
4803 Olympia Park Plaza	Northeast	Sprint	23,341	Direct
9960 Corporate Campus Drive	Hurstbourne / Eastpoint	Clearpath	20,416	Direct

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
100 Mallard Creek Road	St. Matthews	WMBNA Fund III LLC / Lakeview Mead LLC	76,999	\$11M / \$143



OFFICE SUBMARKETS

Central Business District (CBD): Extends from River Rd. to York St. and from Hancock St. to Ninth St.

Old Louisville: Includes the downtown area immediately surrounding the CBD, as well as Old Louisville.

Hurstbourne/Eastpoint: Largest suburban market includes areas east of I-264, north of Shelbyville Rd. and south of Westport Rd.

Plainview/Middletown: Contains the areas south of Shelbyville Rd., north of I-64 and east of Hurstbourne Pkwy.

Southeast: Includes the area along S. Hurstbourne Parkway, extending south from I-64 to Bardstown Rd.

Northeast: Embodies an area south of the Ohio River, north of Westport Rd. and east of I-264.

St. Matthews: Largely within I-264 and east of Bardstown Rd.

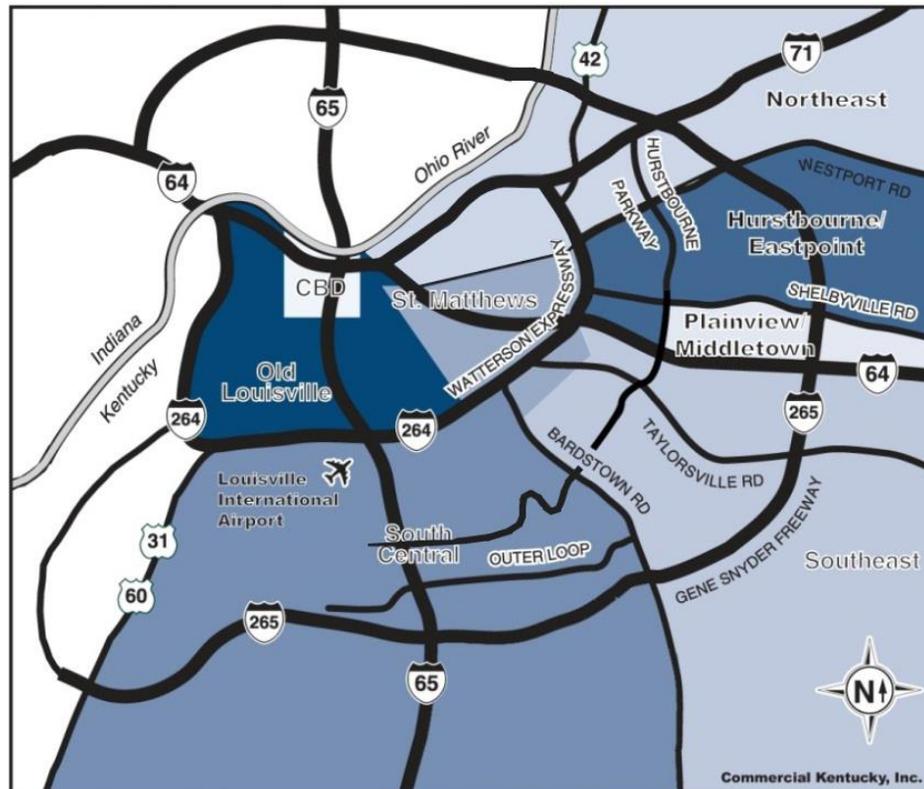
South Central: Encompasses an area southwest of Bardstown Rd. to Shively, which includes Louisville International Airport.

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