

MARKETBEAT LOUISVILLE



**CUSHMAN &
WAKEFIELD**

Commercial Kentucky

Office Q1 2021

YoY Chg 12-Mo. Forecast

15.7%

Vacancy Rate



-186K

YTD Net Absorption, SF



\$18.35

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

643.0K

Louisville
Employment



5.1%

Louisville
Unemployment Rate



6.0%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The U.S. unemployment rate has fallen from 6.7% during the fourth quarter to 6.0% in the first quarter according to the Bureau of Labor Statistics. Additionally, the employment level increased by 609,000 people during March 2021. In just a little over a year since the beginning of the COVID-19 pandemic, the labor market continues to remain on track to a full recovery. The final fourth quarter GDP according to the Bureau of Economic Analysis was an increase of 4.3% with experts predicting an increase of anywhere from 3.0% to 5.0% increase during the first quarter of 2021.

The unemployment rate in Louisville decreased from 6.1% to 5.1% during the first quarter of 2021.

CBD

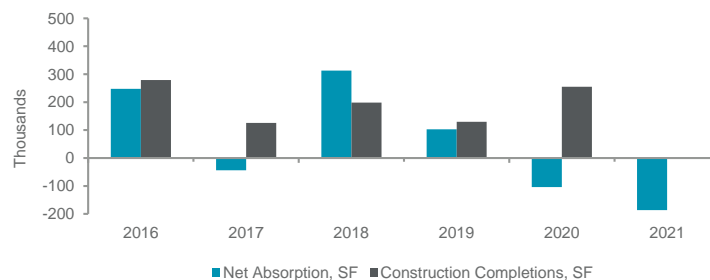
After a slow 2020, leasing activity in the Central Business District (CBD) remained slow during the first quarter of 2021. A total of 2,800 square feet (sf) of leasing activity was recorded during the first quarter. This marks the third straight quarter CBD leasing activity has been under 10,000 sf.

Overall net absorption for the first quarter was negative 90,625 sf. Class A overall net absorption was negative 47,356 sf while Class B was negative 43,269 sf.

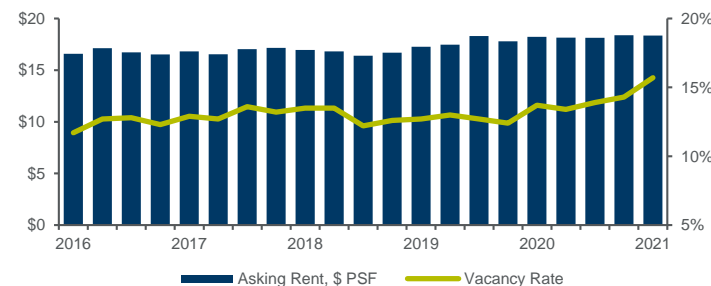
The vacancy rate in the CBD increased 120 basis-points (bps) from the fourth quarter from 18.5% to 19.7%. This is the highest vacancy rate recorded in the CBD since the third quarter of 2006 when the vacancy rate was 20.1%. The Class A vacancy rate increased from 21.8% to 23.5% while the Class B vacancy rate increased 90 bps from 16.1% to 17.0%. In addition, the sublease vacancy rate continues to rise in the CBD. The sublease vacancy rate ended the first quarter at 1.2%, a 90 bps increase from the 0.3% observed at the end of the first quarter 2020.

CBD overall average asking rents decreased from \$16.73 per square foot (psf) to \$16.72 psf during the first quarter. Class A CBD overall average asking rents increased from \$18.49 psf to \$18.51 psf during the quarter while Class B CBD overall average asking rents decreased from \$14.92 psf to \$14.83 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





Suburban

The suburban leasing activity finished the first quarter at 79,558 sf, which accounted for 96.6% of all leasing activity. Suburban Class A leasing activity was 59,169 sf while Class B was 20,389 sf. The Southeast and Hurstbourne/Eastpoint submarkets recorded the most leasing activity during the first quarter with 27,760 sf and 27,191 sf respectively.

Overall net absorption for the suburban office market ended the first quarter at negative 95,456 sf marking the third consecutive quarter of negative absorption. Overall net absorption for the Class A suburban market was negative 70,282 sf while the Class B suburban market experienced 23,924 sf of negative absorption during the first quarter. The Southeast and Old Louisville submarkets were the only submarkets to experience positive net absorption during the first quarter with positive 25,884 sf and positive 5,868 sf respectively.

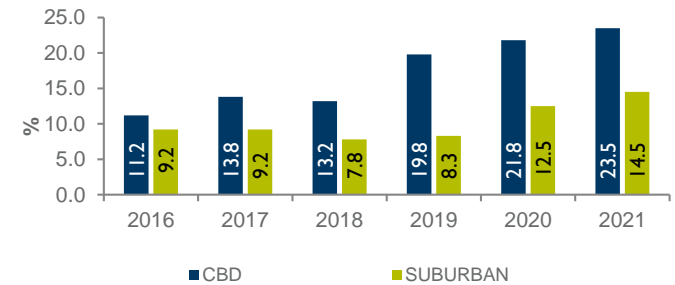
The overall suburban vacancy rate increased 140 bps from 11.2% to 12.6%, the highest suburban vacancy rate recorded since the second quarter of 2016. The Class A vacancy rate increased from 12.5% to 14.5% while the Class B vacancy rate increased from 9.5% to 10.6%. The suburban sublease vacancy rate increased from 0.7% to 0.9% during the first quarter. Compared to the first quarter of 2020, the sublease vacancy rate has jumped from 0.4% to 0.9%.

Overall average asking rents in the suburbs decreased from \$20.46 psf to \$20.20 psf. Class A suburban average asking rents decreased from \$23.10 psf to \$22.44 psf while Class B suburban average asking rents decreased from \$16.86 psf to \$16.76 psf. The Northeast and Hurstbourne/Eastpoint submarkets continue to have the highest average asking rents with \$23.25 psf and \$22.35 psf respectively.

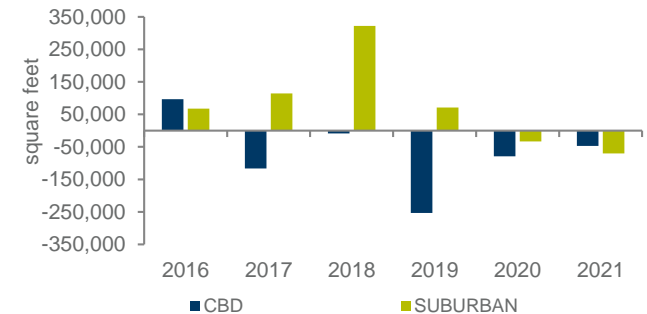
Outlook

- Leasing activity in the CBD will continue to remain slow unless landlords begin to offer more concessions to potential tenants or lower the asking rates for rent.
- Sublease space has become more prevalent over the last year and will continue to increase as tenants reassess their office needs.
- Short term renewals continue to be a popular tactic for tenants as they continue with a wait and see approach before addressing their office needs long term.

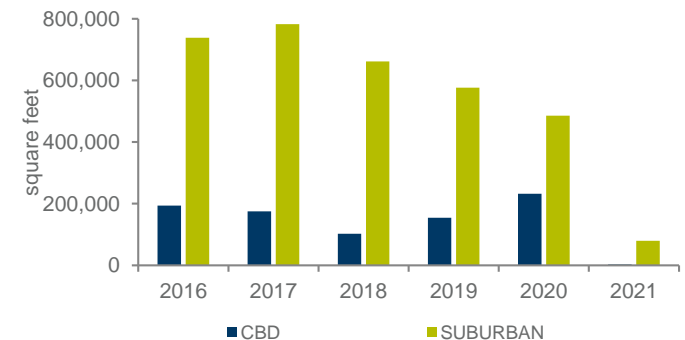
Class A Overall Vacancy Rates – CBD & Suburban



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	8,888,425	108,196	1,643,752	19.7%	-90,625	-90,625	2,800	0	\$16.72	\$18.51
SUBURBAN	11,807,988	106,537	1,385,170	12.6%	-95,456	-95,456	79,558	48,000	\$20.20	\$22.44
Old Louisville	399,940	0	50,356	12.6%	5,868	5,868	5,868	0	\$18.00	N/A
Hurstbourne / Eastpoint	5,026,318	71,222	649,117	14.3%	-63,770	-63,770	27,191	48,000	\$22.35	\$22.91
Plainview / Middletown	1,457,721	0	245,520	16.8%	-14,681	-14,681	0	0	\$17.45	\$21.00
Southeast	1,182,652	10,849	58,561	5.9%	25,884	25,884	27,760	0	\$18.11	\$19.43
Northeast	896,861	20,297	103,792	13.8%	-6,063	-6,063	2,465	0	\$23.25	\$23.25
St. Matthews	1,402,562	4,169	166,743	12.2%	-41,499	-41,499	16,274	0	\$16.62	\$18.97
South Central	1,441,934	0	111,081	7.7%	-1,195	-1,195	0	0	\$16.20	N/A
LOUISVILLE TOTALS	20,696,413	214,733	3,028,922	15.7%	-186,081	-186,081	82,358	48,000	\$18.35	\$20.51

*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	9,980,470	133,815	1,654,948	17.9%	-117,638	-117,638	59,169	0	\$20.70	\$20.51
Class B	10,063,146	80,918	1,304,685	13.8%	-67,193	-67,193	23,189	48,000	\$15.71	\$15.61
Class C	652,797	0	69,289	10.6%	-1,250	-1,250	0	0	\$11.86	\$11.86

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2700 Blankenbaker Parkway	Southeast	J Knipper	27,760	Direct
6440 Dutchmans Parkway	St. Matthews	Undisclosed	6,460	Direct
914 East Broadway	Old Louisville	Undisclosed	5,868	Direct
9520 Ormsby Station Road	Hurstbourne/Eastpoint	Thrive365	5,568	Sublease



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.

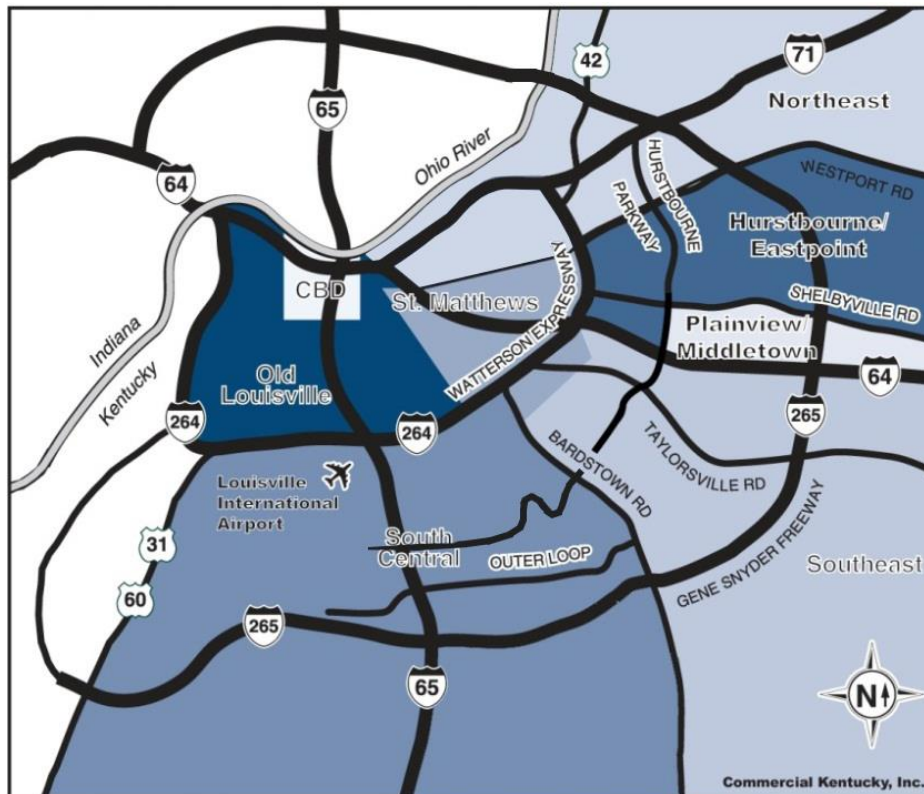
Plainview/Middletown: Contains the areas south of Shelbyville Rd., north of I-64 and east of Hurstbourne Pkwy.

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.



JOHNNY TOBE

Research Analyst

Tel: +1 502 589 5150

jtobe@commercialkentucky.com

A CUSHMAN & WAKEFIELD
RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.