

# MARKETBEAT LOUISVILLE



**CUSHMAN &  
WAKEFIELD**

Commercial Kentucky

Office Q2 2020

YoY Chg 12-Mo. Forecast

**13.4%**  
Vacancy Rate



**-22.2K**  
YTD Net Absorption, SF



**\$18.15**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

**560.6K**  
Louisville  
Employment



**15.9%**  
Louisville  
Unemployment Rate



**13.0%**  
U.S.  
Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

## CBD

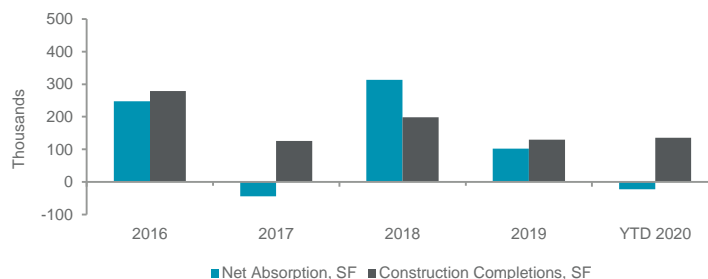
After a strong start to the first quarter, leasing activity in the CBD unsurprisingly slowed down during the second quarter. The second quarter had 29,090 square feet (sf) of leasing activity. Over 94% of the leasing activity occurred in the Class B market, which ended at a total of 27,474 sf. This brings the year-to-date (YTD) total to 219,444 sf. Despite the slow quarter, leasing activity through the first six months of 2020 is almost 174,000 sf greater than the first six months of 2019.

Overall net absorption for the second quarter was positive 25,674 sf bringing the YTD total to positive 14,060 sf. A much more welcome sight than the negative 47,010 sf of overall net absorption recorded after the first two quarters of 2019. All 25,674 sf of positive net absorption occurred in Class B space.

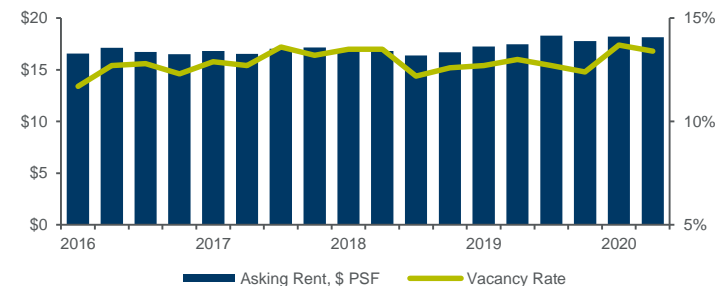
The vacancy rate in the CBD decreased 30 basis-points (bps) from 18.2% to 17.9% at the end of the second quarter. The Class A vacancy rate remained constant at 19.5%, while the Class B vacancy rate decreased 50 bps from 17.3% to 16.8%.

CBD overall average asking rent increased from \$16.68 per square foot (psf) to \$16.72 psf at the end of the quarter. Class A average asking rent remained the same from last quarter at \$18.74 psf. Class B average asking rent increased from \$14.86 psf to \$14.88 psf. CBD average asking rents are down less than 1% from the \$16.77 psf recorded at the end of the second quarter of 2019.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT





## Suburban

The suburban office market had another solid quarter of leasing activity with 105,537 sf recorded during the second quarter. This brought the YTD total to 297,708 sf, almost 54,000 sf more than this point last year. Suburban Class A leasing activity for the second quarter was 98,046 sf and made up 93% of total suburban leasing activity. The Hurstbourne/Eastpoint and Northeast submarkets had the most activity with 62,562 sf and 35,338 sf respectively.

Overall net absorption for the suburban office market ended the second quarter at positive 28,700 sf which brought the YTD total to negative 36,290 sf. The Northeast submarket had positive 60,688 sf of net absorption for the quarter due to tenants being able to move in to the Olympia Two building which was completed at the end of the first quarter. Overall net absorption for the Class A suburban market was positive 35,843 sf while the Class B suburban market experienced 7,513 sf of negative absorption during the second quarter.

The overall vacancy rate decreased 30 bps from 10.3% to 10.0%. The Class A vacancy rate also decreased from 11.6% to 11.0% while the Class B vacancy rate increased from 8.6% to 8.7%. Due to the positive absorption into the new Olympia Two building, the Northeast vacancy rate decreased from 17.2% to 10.4%, a 680 bps change from first quarter to second quarter.

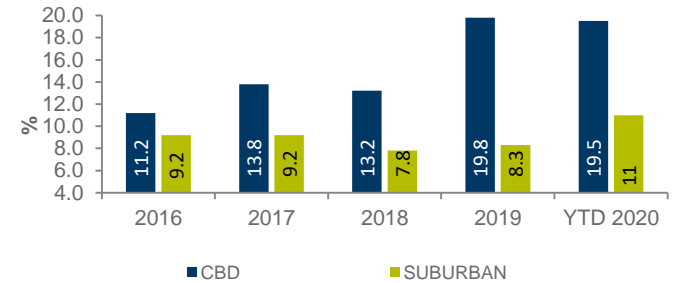
Overall average asking rent decreased from \$20.14 psf to \$19.96 psf. Class A suburban average asking rent decreased from \$22.55 psf to \$22.32 psf while Class B suburban average asking rent increased from \$16.72 psf to \$16.87 psf. Compared to this point last year, overall average asking rent has increased 8.6%.

Group RMC out of New York purchased the East End Office Portfolio from local company Ascent Properties. The portfolio consists of seven office properties in the Plainview/Middletown submarket and totals 515,000 sf. Group RMC bought the properties for a total of \$44.2 million which breaks down to \$85 psf.

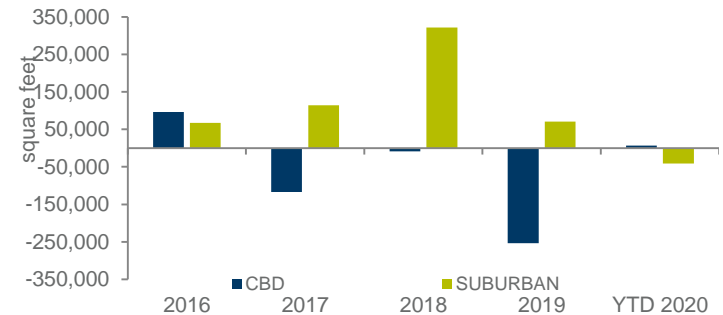
## Outlook

- Occupiers have begun and will continue to assess their office needs as a result of the pandemic. The companies who have been able to work effectively from home may look to reduce the amount of physical space they lease. Conversely, companies who have struggled working from home may wind up taking more space in order to spread out employees more effectively.
- Landlords may have to lower rents or provide more concessions in order to entice tenants not to reduce their footprint.
- Urban tenants may begin to look more seriously at suburban office space. While this is good news for the suburban market, the CBD market would certainly suffer.

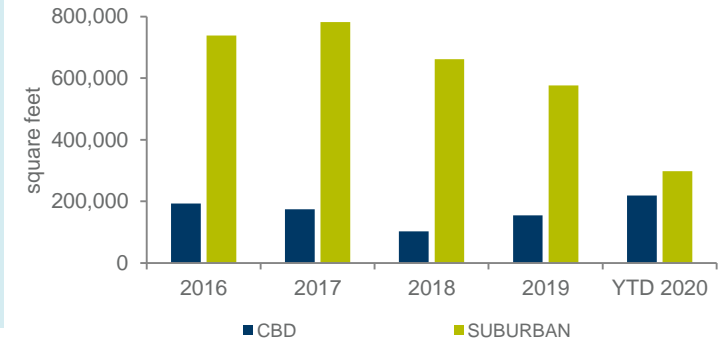
**Class A Overall Vacancy Rates – CBD & Suburban**



**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	1,563,869	17.9%	25,674	14,060	219,444	0	\$16.72	\$18.74
SUBURBAN	11,688,977	44,866	1,126,559	10.0%	28,700	-36,290	297,708	167,011	\$19.96	\$22.32
Old Louisville	399,940	0	56,224	14.1%	0	0	0	0	\$16.18	N/A
Hurstbourne / Eastpoint	4,907,307	41,924	492,183	10.9%	-20,633	-110,430	143,867	167,011	\$21.61	\$21.99
Plainview / Middletown	1,457,721	0	225,919	15.5%	-2,921	12,379	28,335	0	\$17.65	\$21.00
Southeast	1,182,652	0	34,769	2.9%	-4,342	-1,891	6,079	0	\$16.62	\$17.00
Northeast	896,861	0	93,617	10.4%	60,688	76,961	77,221	0	\$25.14	\$25.31
St. Matthews	1,402,562	2,942	114,021	8.3%	-4,092	-13,309	11,166	0	\$17.09	\$23.01
South Central	1,441,934	0	109,826	7.6%	0	0	31,040	0	\$16.51	\$18.50
<b>LOUISVILLE TOTALS</b>	<b>20,579,609</b>	<b>74,080</b>	<b>2,690,428</b>	<b>13.4%</b>	<b>54,374</b>	<b>-22,230</b>	<b>517,152</b>	<b>167,011</b>	<b>\$18.15</b>	<b>\$20.49</b>

\*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	1,366,229	14.3%	35,843	-34,148	326,399	119,011	\$20.54	\$20.49
Class B	10,065,353	29,214	1,255,580	12.8%	18,161	12,498	188,318	48,000	\$15.70	\$15.65
Class C	652,797	0	68,619	10.5%	370	-580	2,435	0	\$11.88	\$11.88

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4803 Olympia Park Plaza	Northeast	Undisclosed	34,388	Direct
10300 Ormsby Park Place	Hurstbourne / Eastpoint	Undisclosed	25,503	Direct
10200 Forest Green Boulevard	Hurstbourne / Eastpoint	Phia Group LLC	13,090	Sublease

## KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
East End Office Portfolio	Plainview / Middletown	Ascent Properties LLC / Group RMC	515,000	\$44M / \$85





**OFFICE SUBMARKETS**

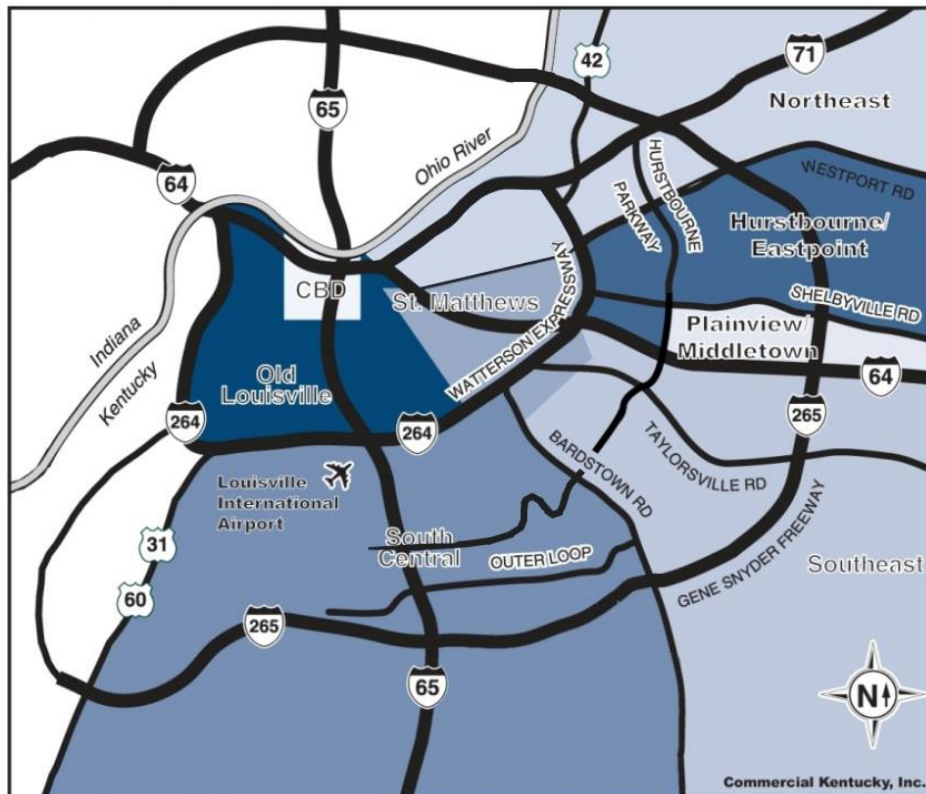
- Central Business District (CBD):** Extends from River Rd. to York St. and from Hancock St. to Ninth St.
- Old Louisville:** Includes the downtown area immediately surrounding the CBD, as well as Old Louisville.
- Hurstbourne/Eastpoint:** Largest suburban market includes areas east of I-264, north of 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](mailto:jtobe@commercialkentucky.com)



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