

LOUISVILLE OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Louisville Employment	668k	670k	▲
Louisville Unemployment	4.2%	4.1%	▲
U.S. Unemployment	4.4%	3.9%	▼

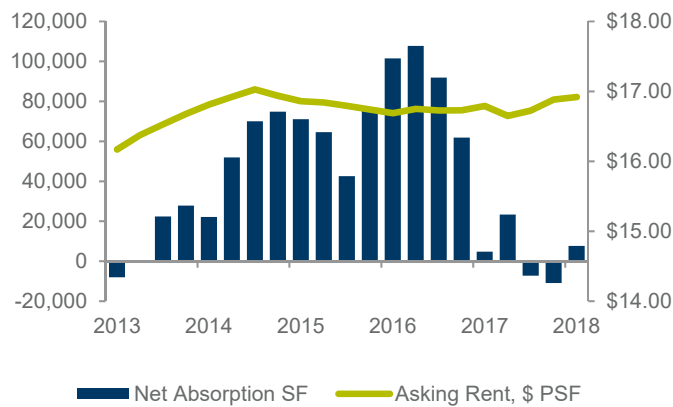
Numbers above are quarterly averages; August 2018 data used to represent Q2 2018 for Louisville

Market Indicators (Overall, All Classes)

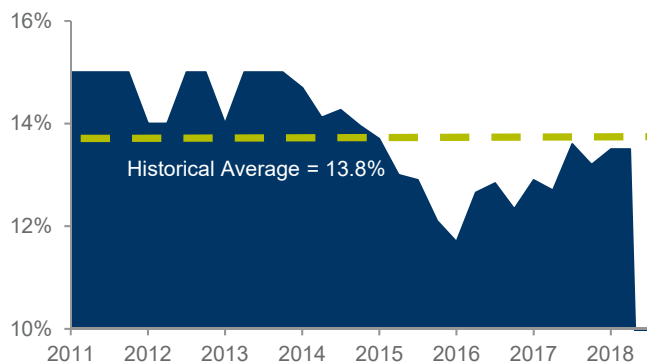
	Q3 17	Q3 18	12-Month Forecast
Vacancy	13.6%	12.2%	▼
YTD Net Absorption (sf)	-101k	274k	▲
Under Construction (sf)	153k	201k	▲
Average Asking Rent*	\$17.03	\$16.40	▲

*Rental rates reflect gross asking \$psf/year

**Overall Net Absorption/Overall Asking Rent
 4-QTR TRAILING AVERAGE**



Overall Vacancy



Economic Overview

The U.S. economy continues to expand as evidenced by GDP growth in the second quarter of 4.2%, almost double GDP growth of 2.2% experienced during the first quarter of 2018. The U.S. economy added 201,000 jobs in September, marking the 95th consecutive month that employment has increased with 2.3 million more people working in the U.S. than a year ago. And, finally, wages may be taking off as earnings in August increased 2.9% from a year ago, representing the fastest increase in wages in almost a decade.

Low unemployment of 3.9%, coupled with strong job growth, higher wages and growing consumer confidence (its highest level in almost 18 years) points towards further expansion in the U.S. economy following the Great Recession. Accordingly, the Federal Reserve is now predicting that the U.S. economy will likely grow by 3.1% this year, up from 2.8% previously, before the expansion eases to perhaps 2.5% in 2019 and 2.0% in 2020.

The Louisville economy remains healthy despite modest job losses in the manufacturing sector due, in part, to declining auto sales. On the plus side, Louisville continues to benefit from the continued growth of eCommerce which has significantly boosted the demand for shipping and warehousing services. While Louisville's unemployment rate fell in August from 4.2% to 3.8%, most new employment opportunities are in low-paying positions as opposed to higher-paying positions in technology and professional services.

Market Overview

The Louisville CBD leasing activity reached 41,416 square feet (sf) for the third quarter bringing the year-to-date (YTD) total to 71,711 sf, 50% less than the 143,876 sf reported for the same period in 2017. Thus far, 74% of the CBD leasing activity has occurred in Class B space and 26% in Class A.

The overall CBD vacancy rate decreased to 15.7%, a 100 basis-point (bp) decline from the second quarter. Both CBD Class A and B also declined with Class A at 13.8% and Class B at 17.2% vacancy. The CBD reported 81,287 sf of positive absorption in the third quarter with Class B representing 86% and Class A claiming 14% of this total. This reduces the YTD total of overall negative absorption to 26,025 sf.

Both the overall and the Class A CBD average asking rents decreased to \$16.18 per square foot (psf) gross and \$19.09 psf, respectively.

The suburban submarkets reported 138,784 sf of leasing activity during the third quarter with Class A representing 61% of total suburban leasing activity. The overall suburban vacancy rate fell to 9.5%, a 150-bp decrease from last quarter, resulting in the lowest overall vacancy rate recorded in 23 years.

Several submarkets reported record breaking low overall vacancy rates including the Northeast at 4.3%, the lowest since 1997; St. Matthews at 6.2%, the lowest since 1995; and Hurstbourne / Eastpoint's at 5.2%, which beat the previous record set in 1995, resulting in the lowest vacancy rate on record for this submarket. The suburban Class A vacancy rate fell to 5.6%, resulting in the lowest Class A vacancy since 1995. The suburban Class B vacancy rate dropped to 13.7%, the lowest since 2001.

The suburban submarket reported 161,463 sf of absorption during the third quarter with Class A representing 97% of this total. This total marks the most absorption recorded in a single quarter since fourth quarter 2012's 166,700 sf.

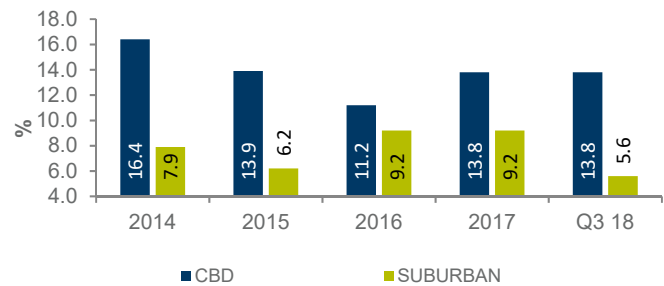
Outlook

Locally, the outlook for the suburban office market remains positive with suburban Class A vacancies at 5.6%. The single digit Class A vacancy rate, coupled with modest new construction, suggests a continued increase in rental rates for quality suburban office product well into 2019.

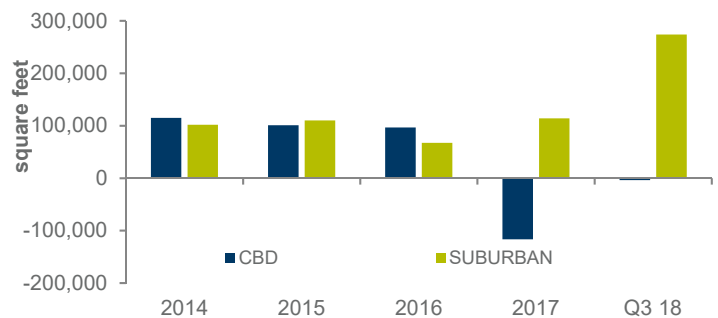
The CBD, on the other hand, is struggling in the face of an overall office vacancy rate of 15.7% and Class A vacancy rate of 13.8%. While most of the Class A buildings are relatively well occupied, there are several large blocks of available space at both 500 West Jefferson and 400 West Market.

We expect the higher vacancy rates in the CBD to lead to a "flight to quality" as more and more tenants avail themselves of the opportunity to improve the quality and efficiency of their space in a very competitive rent environment. This opportunity, coupled with the enhanced energy and vitality of downtown Louisville, suggest that leasing activity and absorption are likely to improve over the next 12 months.

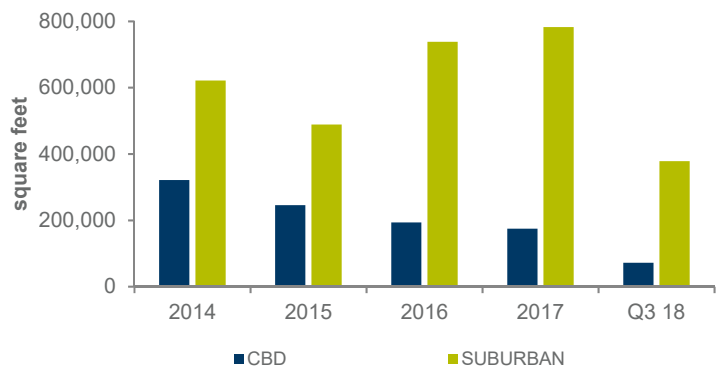
Class A Overall Vacancy Rates – CBD & Suburban



Class A YTD Overall Net Absorption CBD & Suburban



YTD Leasing Activity – CBD & Suburban



MARKETBEAT
Louisville
Office Q3 2018



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 AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	8,692,843	0	1,363,766	15.7%	81,287	-26,025	71,711	0	\$16.18	\$19.09
Suburban	11,460,621	104,960	989,392	9.5%	161,463	299,782	378,444	200,760	\$16.68	\$20.87
Old Louisville	399,940	0	64,869	16.2%	2,000	2,000	1,447	0	\$9.98	N/A
Hurstbourne/Eastpoint	4,628,046	3,853	235,615	5.2%	11,651	111,900	173,241	200,760	\$19.76	\$21.62
Plainview/Middletown	1,509,721	5,767	260,424	17.6%	24,591	29,832	37,050	0	\$15.74	\$20.00
Southeast	1,343,211	0	63,916	4.8%	177,393	204,724	37,018	0	\$16.29	\$18.52
Northeast	735,207	0	31,247	4.3%	-5,948	3,128	42,212	0	\$23.87	\$24.70
St. Matthews	1,402,562	4,340	83,152	6.2%	4,644	4,637	47,637	0	\$15.53	\$21.54
South Central	1,441,934	91,000	250,169	23.7%	-52,868	-56,439	39,839	0	\$16.23	\$18.60
LOUISVILLE TOTALS	20,153,464	104,960	2,353,158	12.2%	242,750	273,757	450,155	200,760	\$16.40	\$19.77

*Rental rates reflect gross asking \$psf/year
**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	9,593,715	56,795	796,599	8.9%	168,622	269,914	280,119	200,760	\$19.94	\$19.77
Class B	9,906,952	48,165	1,474,676	15.4%	74,225	11,725	165,356	0	\$14.75	\$14.86
Class C	652,797	0	81,883	12.5%	-97	-7,882	4,680	0	\$9.94	\$9.94

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3621 Fern Valley Road	25,274	Chewy	New Lease	South Central
10400 Linn Station	18,370	Computershare	New Lease	Plainview / Middletown
312 South Fourth Street	12,721	Sequentia	New Lease	CBD
950 Breckenridge	7,013	Restaurant Supply Chain	Sublease	St. Matthews

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
12501 Lakefront Place	175,971	LB UBS 2007 C2 Lakefront Place / Farm Credit	\$30,000,000 / \$170	Southeast
600 South Seventh Street	43,520	Realco LLC / Louisville Metro Housing Authority	\$2,689,810 / \$62	CBD
624 West Main Street	21,000	Risk Management Resources / Manesh Properties	\$1,900,000 / \$90	CBD

OFFICE SUBMARKETS

LOUISVILLE, KENTUCKY

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.

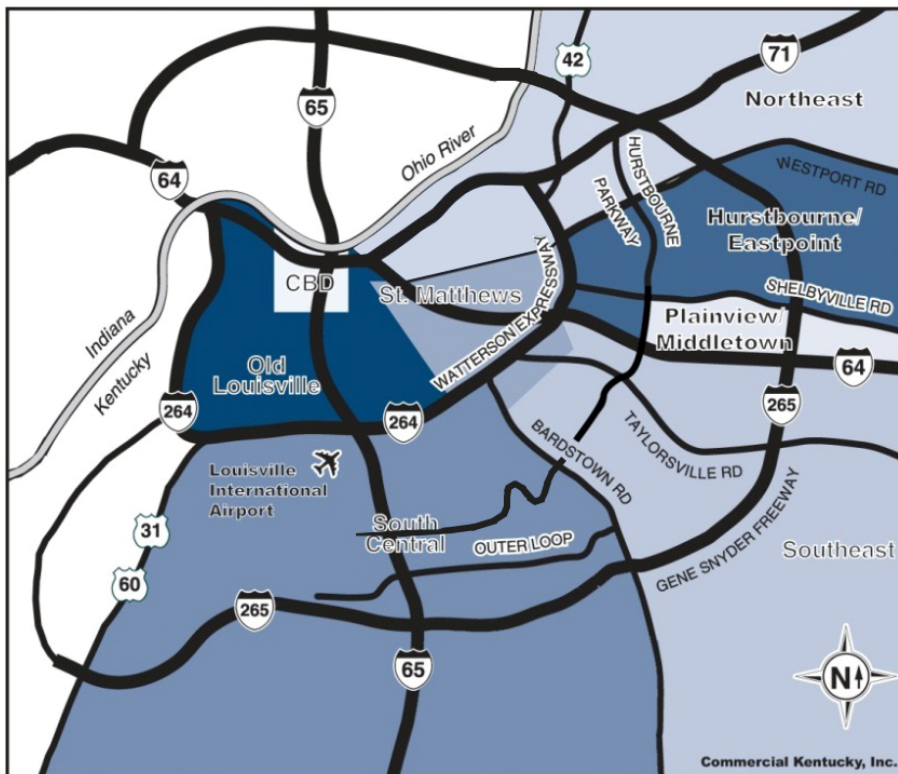
Plainview/Middletown: Contains the areas south of Shelbyville Rd., north of I-64 and east of Hurstbourne Pkwy.

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.



Cushman & Wakefield /
Commercial Kentucky
333 East Main Street
Suite 510
Louisville, KY 40202

For more information, contact:
Necia Nast, Research & Marketing Analyst
Tel: +1 502 589 5150
nnast@commercialkentucky.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 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.

©2018 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.