

# MARKETBEAT LOUISVILLE



**CUSHMAN &  
WAKEFIELD**  
Commercial Kentucky

Office Q3 2021

YoY Chg 12-Mo. Forecast

**16.5%**

Vacancy Rate



**-452K**

YTD Net Absorption, SF



**\$18.19**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2021

YoY Chg 12-Mo. Forecast

**654.3K**

Louisville  
Employment



**3.9%**

Louisville  
Unemployment Rate



**5.2%**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW

The U.S. unemployment rate has dropped slightly from 5.9% during the second quarter to 5.2% in the third quarter according to the Bureau of Labor Statistics. Additionally, employment levels increased by 509,000 people during August 2021. According to the Bureau of Economic Analysis, GDP increased at an annual rate of 6.7% in the second quarter of 2021, reflecting the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic.

The unemployment rate in Louisville decreased from 4.2% to 3.9% during the third quarter of 2021, only 10-basis points (bps) higher than the pre-pandemic unemployment rate. The employment level in Louisville increased by 5,200 jobs from the second quarter to the third quarter and is up 21,241 from this point last year. Many economists believe that the low unemployment rate may be attributed to government subsidies keeping able bodied workers on the sidelines as evidenced by the decline in the labor force participation rate throughout the pandemic.

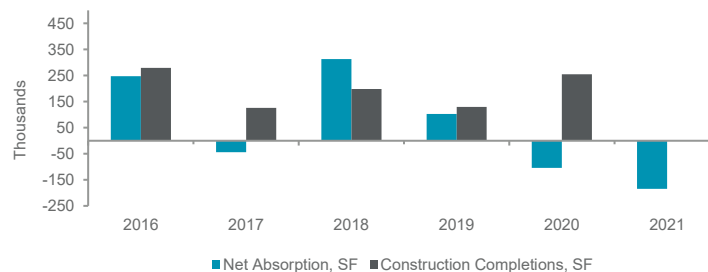
## CBD

Leasing activity in the Central Business District (CBD) rebounded during the third quarter of 2021 with 97,786 square feet (sf) of leasing activity recorded during the quarter, which brings the year-to-date (YTD) total up to 107,523 sf. This marks the first quarter since 2019 where CBD leasing activity has been greater than 10,000 sf. In addition to the uptick in leasing activity, Churchill Downs announced plans to open a new facility in Downtown Louisville called Derby City Gaming Downtown. The 43,000 square foot (sf) entertainment venue will be located at 140 South Fourth Street, diagonal to the Kentucky International Convention Center. Construction is expected to begin later this year with an anticipated opening date in early 2023. The investment is expected to create 450 jobs.

Overall net absorption in the CBD for the third quarter was negative 120,360 sf which brings the YTD total to negative 208,999 sf. Class A overall net absorption in the CBD was negative 67,478 sf while Class B was negative 52,882 sf. As a result, the vacancy rate in the CBD increased 120 bps from 19.1% to 20.3% during the third quarter. Compared to the third quarter of 2020, the overall vacancy rate in the CBD has increased 140 bps. The Class A vacancy rate increased from 23.1% to 24.8%, the highest Class A vacancy rate ever recorded in the CBD. The Class B vacancy rate increased 10 bps from 17.0% to 17.1%.

CBD overall average asking rents increased from \$16.72 per square foot (psf) to \$16.84 psf during the third quarter. Class A CBD overall average asking rents increased from \$18.51 psf to \$18.53 psf during the quarter while Class B CBD overall average asking rents decreased from \$14.83 psf to \$14.74 psf.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT





## Suburban

The Suburban market leasing activity finished the third quarter at 146,633 sf, which brings the YTD total to 310,485 sf. Suburban Class A leasing activity was 76,602 sf while Class B was 61,250 sf. The YTD totals for Class A and Class B are 205,382 sf and 95,722 sf respectively. The Hurstbourne/Eastpoint submarket recorded 67,196 sf of leasing activity during the third quarter which accounted for 45% of all suburban leasing activity during the quarter.

Overall net absorption for the Suburban office market ended the third quarter at negative 63,825 sf marking the fifth consecutive quarter of negative absorption. The YTD total for overall net absorption in the Suburban market fell to negative 242,716 sf. Overall net absorption for the Class A Suburban market was negative 12,318 sf while the Class B suburban market experienced 59,517 sf of negative absorption during the third quarter. The Southeast, St. Matthews, and South Central submarkets were the only submarkets to experience positive net absorption during the third quarter with positive 6,779 sf, positive 8,552 sf, and positive 5,994 sf respectively.

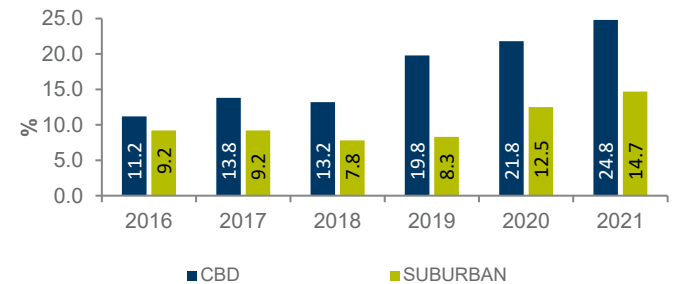
The overall Suburban vacancy rate increased 90 bps from 12.8% to 13.7%, surpassing the highest suburban vacancy rate recorded since the third quarter of 2013. Compared to this time last year, the overall Suburban vacancy rate has increased 360 bps. The Class A vacancy rate increased from 10.8% to 14.7% while the Class B vacancy rate increased from 9.2% to 12.8%.

Overall average asking rents in the suburbs decreased from \$19.84 psf to \$19.72 psf. Class A Suburban average asking rents increased slightly from \$21.85 psf to \$21.87 psf while Class B Suburban average asking rents decreased from \$16.92 psf to \$16.87 psf. The Hurstbourne/Eastpoint and Northeast submarkets continue to have the highest average asking rents with \$21.56 psf and \$23.58 psf respectively.

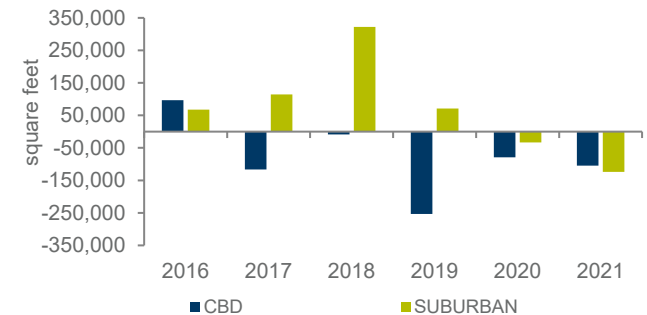
## Outlook

- Leasing activity in the CBD is expected to remain sluggish for the balance of the year as major employers continue to push back their return to office date due to the COVID-19 Delta Variant.
- Negative absorption will continue to increase during the fourth quarter of the year as tenants with leases expiring at the end of 2021 will be making decisions on their future office needs without benefit of a clear understanding of the post-pandemic office landscape. The long awaited “return to the workplace” has been undermined by the downsizing, hoteling, platooning and work-from-home (WFH) considerations, the impact of which will continue well into 2022.
- As COVID-19 restrictions continue to be lifted, full capacity events such as Louisville Bats baseball games and Louisville City and Racing Louisville soccer matches are helping restore energy and vitality to the CBD.

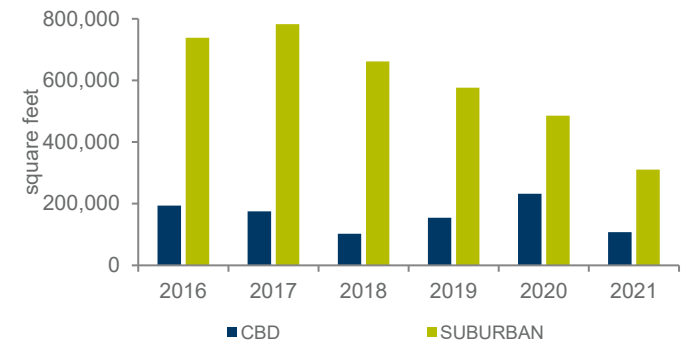
Class A Overall Vacancy Rates – CBD & Suburban



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	8,928,580	51,022	1,816,242	20.3%	-120,360	-208,999	107,523	0	\$16.84	\$18.53
SUBURBAN	11,807,988	110,160	1,614,534	13.7%	-63,825	-242,716	310,485	121,203	\$19.72	\$21.87
Old Louisville	399,940	0	50,356	12.6%	0	5,868	8,236	0	\$18.00	N/A
Hurstbourne / Eastpoint	5,026,318	76,072	748,830	14.9%	-20,120	-130,076	166,332	121,203	\$21.69	\$22.10
Plainview / Middletown	1,457,721	0	334,865	23.0%	-50,523	-88,020	8,547	0	\$17.71	\$21.00
Southeast	1,182,652	10,849	65,771	5.6%	-6,779	29,523	55,712	0	\$18.62	\$19.75
Northeast	896,861	20,297	137,985	15.4%	-14,507	-19,959	10,802	0	\$23.58	\$23.58
St. Matthews	1,402,562	2,942	186,505	13.3%	8,552	-59,716	44,352	0	\$15.90	\$18.78
South Central	1,441,934	0	90,222	6.3%	5,994	19,664	16,504	0	\$16.46	N/A
<b>LOUISVILLE TOTALS</b>	<b>20,736,568</b>	<b>161,182</b>	<b>3,430,776</b>	<b>16.5%</b>	<b>-184,185</b>	<b>-451,715</b>	<b>418,008</b>	<b>121,203</b>	<b>\$18.19</b>	<b>\$20.12</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	9,980,470	96,600	1,753,616	18.5%	-79,796	-229,061	303,860	73,203	\$20.10	\$20.12
Class B	10,103,301	64,582	1,448,745	15.0%	-112,399	-223,460	104,767	48,000	\$15.76	\$15.71
Class C	652,797	0	67,233	10.3%	8,010	806	9,381	0	\$12.11	\$12.11

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
13551 Triton Park Blvd.	Hurstbourne/Eastpoint	Comprehensive Health Management	28,437	Renewal
9700 Ormsby Station Road	Hurstbourne/Eastpoint	MKC Realty Holdings	16,399	Direct
9400 Bunsen Parkway	Southeast	J&L Marketing	12,246	Sublease

## KEY SALE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
2100 Nelson Miller Parkway	Hurstbourne/Eastpoint	Clark Real Estate Holdings	33,850	\$4M / \$120.24
9700 Ormsby Station Road	Hurstbourne/Eastpoint	MKC Realty Holdings	30,800	\$4M / \$131.49

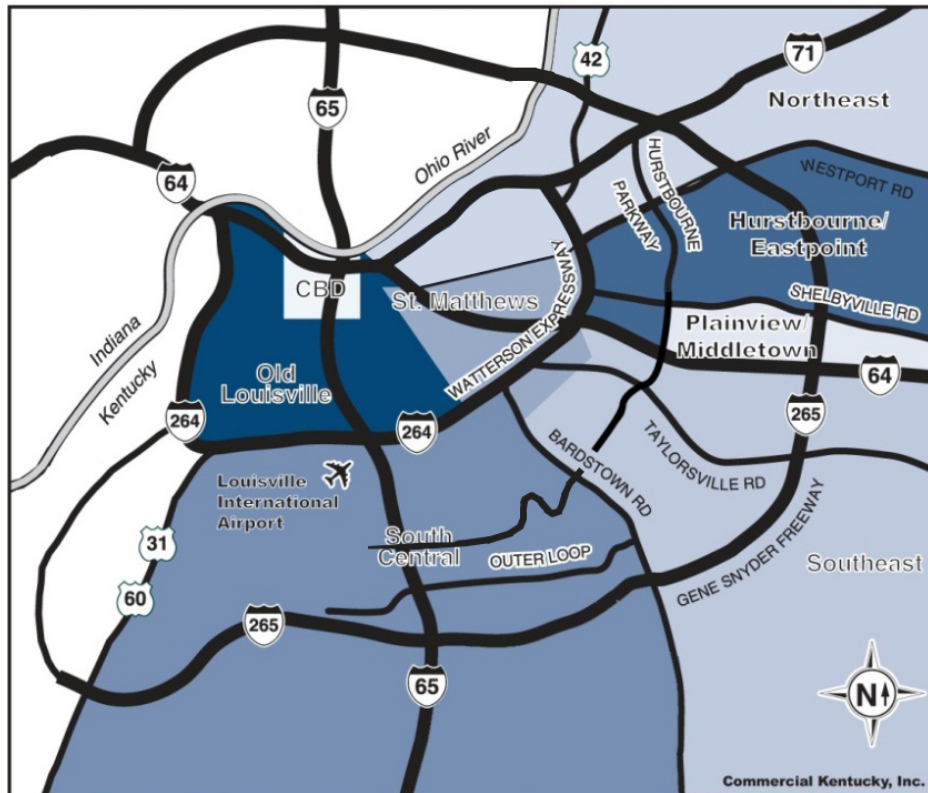


**OFFICE SUBMARKETS**

- 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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