

LOUISVILLE

Retail Q4 2019

CUSHMAN & WAKEFIELD

Commercial Kentucky

YoY Chg 12-Mo. Forecast

\$61.7K
Median HH Income0.3%
Population Growth3.6%
Unemployment Rate

Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS
Q4 2019

YoY Chg 12-Mo. Forecast

2.3%
GDP Growth4.0%
Consumer Spending Growth4.2%
Retail Sales Growth

Source: BEA, Census Bureau

MARKET OVERVIEW

Big box retail leasing continues to be driven by value-oriented retailers like Marshall's, TJ Maxx, and Five Below, each of which opened new stores in the Louisville metro area over the past few months. Additionally, landlords continue to find success with fitness and entertainment concepts. Planet Fitness is opening two new stores in early 2020, bringing their total store count in the metro area to 20. Fitness franchises F45 and Shred415 are opening multiple new locations along the historically dominant retail corridors of eastern Louisville. On the city's southwest side, Crunch Fitness opened their first Louisville location on Dixie Highway, one of the most heavily trafficked corridors in the metro area. On the entertainment side, Lexington, KY-based Malibu Jack's filled one of the biggest vacancies on Louisville's east side with their lease of a shuttered 130,000-square-foot (sf) former Super Walmart late last year. The indoor theme park, which offers indoor go-kart tracks, mini golf and arcade games, has been in Louisville since 2016, but they outgrew their previous 70,000-sf location.

While there is not a tremendous volume of new speculative retail development, there are notable bright spots in the marketplace. Jeffersonville Town Center West, a 184,663-sf regional shopping center located in Jeffersonville, IN, was quickly constructed and fully leased by local developers, The Koetter Group. The center—anchored by Hobby Lobby, HomeGoods, and Petco—sold at the end of 2019 for \$30 million. In the southeast Louisville Fern Creek neighborhood—one of the fastest growing trade areas in the city—the speculative Southpointe Commons development finally appears to be picking up steam after several years of delays. Originally planned to be a Lowe's-anchored center, ownership hit reset and now is lining up a roster of national soft goods retailers.

Not all good news. Saks Off Fifth and Bose are both closing stores at the Outlet Shoppes of the Bluegrass located just outside of the city in Simpsonville, KY. Both companies are original tenants of the property, which was built in 2014. The Saks closure may not be a huge surprise given the operational challenges and debt burden saddling its parent company, Hudson Bay, not to mention the general consumer sentiment shift away from department store shopping that has negatively affected Saks and its competitors. Likewise, the announcement that accompanied the Bose closure pointed specifically to a "dramatic shift to online shopping" as a primary reason for closing up shop.

In downtown Louisville, hospitality is developing at an extremely brisk pace, feeding off increasing tourism, convention traffic, entertainment, and event spending in the city's central business district. At the close of 2019, the new, dual branded Moxy/Hotel Distil opened its doors on Whiskey Row to rave reviews. The development adds 315 rooms to the downtown inventory, along with rooftop lounges, a 24-hour Zombie Taco location and a new steakhouse fronting Main Street. On Market Street at the edge of the trendy NuLu neighborhood, construction continues on the Cambria Hotel, which is expected to be completed by the 2nd quarter of 2020. This wave of development has naturally led to steeply escalating site acquisition costs, but so far, that has not deterred investors. Case in point, the corner of 2nd and Market Street – a mere 0.88 acres – sold for \$5.9 million, with a new luxury hotel planned for the site. The sale of the well-located corner, directly across from the Kentucky International Convention Center and two blocks from the KFC Yum! Center, adds significant momentum to an already red hot hotel market.

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