

Louisville

Leasing and sales activity remains strong

- Over 9.0 m.s.f. of product delivered in 2022, almost double 2020's previous record high
- TradeLane Properties purchased the vacant 572,000 s.f. building at 458 Pope Farm Road
- 67% of product delivered year to date has been leased

The Louisville industrial market experienced a strong year-end push, driving net absorption above 5.8 m.s.f. Despite the impressive leasing velocity, vacancy continued to increase as several speculative projects delivered in the 4th quarter. In total, 26 projects totaling over 9.0 m.s.f. were completed in 2022, setting a market record. The construction completions provide opportunities for tenants looking to expand into and within the market, which was not possible during the first half of 2022 due to record low vacancy.

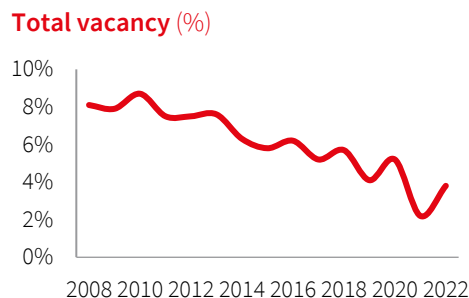
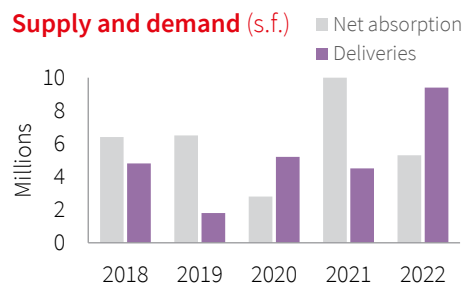
While the rise in availabilities provides additional options for tenants, the options are unlikely to remain available long-term. JLL is tracking 2.9 m.s.f. of leasing prospects / occupiers that could finalize deals during the first two quarters of 2023. The current scenario is reminiscent of year-end 2020, which was the last time deliveries outpaced absorption and vacancy rose to 8.4%. By mid-year 2020 the rate had dropped 3 points, and by year-end the vacancy rate compressed to 2.4%. We expect that the vacancy rate will fall 1.5 points by mid-year and is likely to continue falling through year-end 2023.

Unlike 2020, uncertain economic conditions have throttled down new construction. 5.5 m.s.f. of product is currently in production; however, only 559,000 s.f. of new starts broke ground in the 4th quarter, with several developers electing to drop significant developments. The Louisville industrial market has delivered over 20 m.s.f. since 2018 and will need to sustain this pace over the next several years to keep pace with projected leasing activity.

Outlook

2022 was another good year for the Louisville industrial market with strong leasing activity and record development. We expect leasing velocity to continue into 2023; however, development is predicted to slow. The impact of this pullback in development will likely be felt in 12-18 months, but a lack of available product is something we will continue to monitor.

Fundamentals	Forecast
YTD net absorption	5,356,367 ▲
Under construction	5,599,090 ►
Total vacancy	3.8% ►
Sublease vacancy	851,305 ►
Direct asking rent	\$5.17 p.s.f. ►
Sublease asking rent	\$5.09 p.s.f. ▼
Concessions	Stable ▲



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Louisville total										
Warehouse & Distribution	155,496,548	1,092,988	5,258,576	3.3%	4.4%	7.0%	\$5.17	3,320,381	9,364,141	5,599,090
Manufacturing	47,750,753	51,708	97,791	0.2%	1.7%	1.5%	\$5.07	0	0	0
Overall Total	203,247,301	1,144,696	5,356,367	2.6%	3.8%	5.7%	\$5.17	3,320,381	9,364,141	5,599,090
Airport										
Warehouse & Distribution	60,150,966	464,530	802,115	1.1%	4.2%	5.6%	\$5.15	1,575,011	2,646,300	70,200
Manufacturing	12,870,215	-18,290	-58,046	-0.5%	0.6%	0.4%	\$6.89	0	0	0
Overall Total	73,021,181	446,240	744,069	0.9%	3.5%	4.7%	\$5.17	1,575,011	2,646,300	70,200
Downtown										
Warehouse & Distribution	13,422,109	-71,857	-38,179	-0.3%	2.5%	4.3%	\$2.46	0	0	0
Manufacturing	9,940,342	57,000	40,000	0.4%	4.0%	3.2%	\$2.75	0	0	0
Overall Total	23,362,451	-14,857	1,821	0.0%	3.1%	3.8%	\$2.55	0	0	0
East										
Warehouse & Distribution	19,131,306	185,029	362,340	1.9%	1.2%	10.5%	\$7.15	327,919	445,039	1,939,981
Manufacturing	13,160,009	12,998	8,075	0.1%	0.2%	0.3%	\$7.61	0	0	0
Overall Total	32,291,315	198,027	370,415	1.1%	0.8%	6.6%	\$7.23	327,919	445,039	1,939,981
Riverport										
Warehouse & Distribution	15,166,496	-279,571	569,642	3.8%	4.5%	5.4%	\$4.67	0	513,500	512,893
Manufacturing	4,193,605	0	0	0.0%	2.4%	2.4%	\$0.00	0	0	0
Overall Total	19,360,101	-279,571	569,642	2.9%	4.0%	4.7%	\$4.67	0	513,500	512,893
Suburban total										
Warehouse & Distribution	47,625,671	794,857	3,562,658	7.5%	6.5%	8.3%	\$5.39	1,417,451	5,759,302	3,076,016
Manufacturing	7,586,582	0	107,762	1.4%	2.7%	2.7%	\$5.50	0	0	0
Overall Total	55,212,253	794,857	3,670,420	6.6%	6.0%	7.5%	\$5.40	1,417,451	5,759,302	3,076,016
Bullitt County										
Warehouse & Distribution	21,747,293	329,437	2,478,116	11.4%	5.4%	8.1%	\$5.43	430,181	3,201,895	1,673,281
Manufacturing	961,350	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	22,708,643	329,437	2,478,116	10.9%	5.2%	7.8%	\$5.43	430,181	3,201,895	1,673,281
South Central										
Warehouse & Distribution	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Southern Indiana										
Warehouse & Distribution	25,878,378	465,420	1,084,542	4.2%	7.5%	8.4%	\$5.35	987,270	2,557,407	1,402,735
Manufacturing	6,625,232	0	107,762	1.6%	3.0%	3.0%	\$5.50	0	0	0
Overall Total	32,503,610	465,420	1,192,304	3.7%	6.6%	7.4%	\$5.36	987,270	2,557,407	1,402,735