

FIGURES | LOUISVILLE INDUSTRIAL | Q1 2025

Construction starts ramp up in first quarter, average asking lease rate rises to a new record

▲ 3.8%

Vacancy Rate

▲ 622,353

SF Net Absorption

▲ 1.2M

SF Construction Delivered

▲ 6.4M

SF Under Construction

▲ \$6.19

NNN/YR Lease Rate

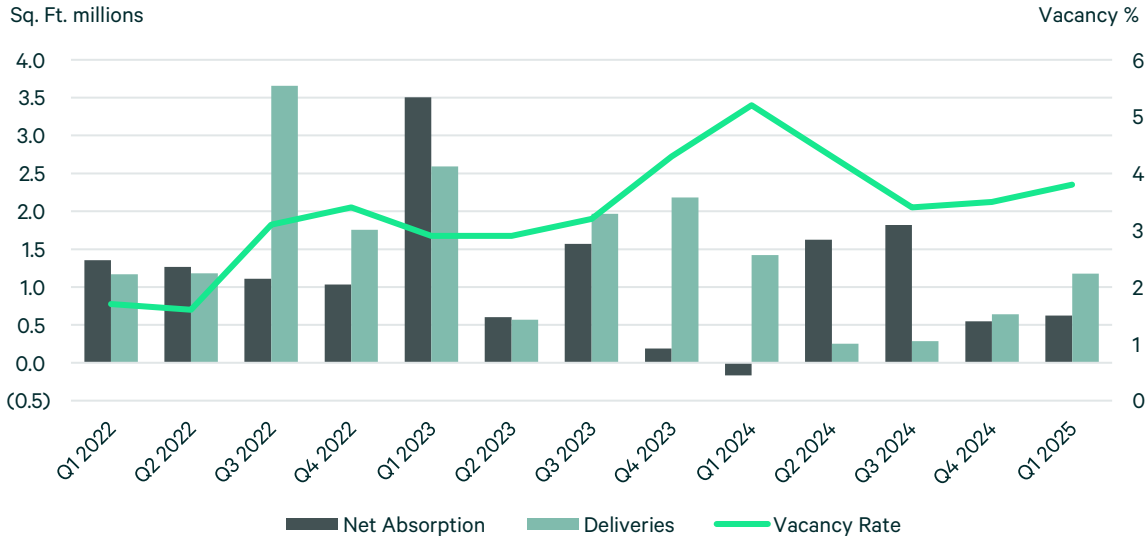
Note: Arrows indicate change from previous quarter.

SUMMARY

The Louisville industrial market recorded 662,353 sq. ft. of positive net absorption in the first quarter and a 30 basis point (bps) increase in the marketwide vacancy rate to 3.8% with four new vacant speculative projects and one build-to-suit project adding 1.2 million sq. ft. to the market. The marketwide average asking lease rate increased \$0.25 per sq. ft. to reach \$6.19 per sq. ft., which is a new record for the market. The marketwide availability rate increased 130 bps to 6.4% due to the addition of several large blocks of space, though several available spaces being marketed are in active renewal negotiations. After falling for several quarters, the available sublease space on the market increased in the first quarter. This figure represents 10.8% of the total available space in the market, though 36% of the sublease space is not modern bulk.

The total under construction in the Louisville market increased by 2.4 million sq. ft. to 6.4 million sq. ft. This change was driven by the addition of five new speculative projects totaling 1.8 million sq. ft. and two owner-occupied design-build projects totaling 646,000 sq. ft., bringing the total speculative under construction to 3.5 million sq. ft. Notably, there is 2.8 million sq. ft. of build-to-suit activity under construction, which is a historic multi-year high. Nearly 1.2 million sq. ft. of projects were delivered during the quarter including four speculative projects totaling 1.1 million sq. ft. and an owner-occupied design-build project with 101,716 sq. ft.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

Availability and Vacancy

During the first quarter, twenty new available spaces were added to the market, seven sublease and thirteen direct spaces. The overall marketwide availability rate increased 130 bps to 6.4% and the marketwide vacancy rate added 30 bps to 3.8% in the first quarter. This was due to new vacancies across several submarkets as well as the addition of four new vacant speculative buildings totaling just over 1 million sq. ft.

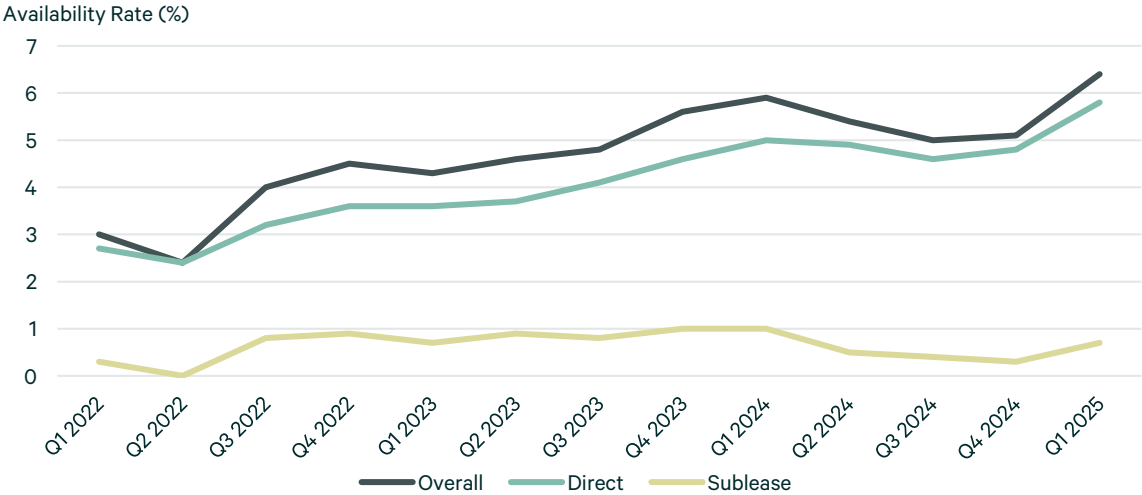
Asking Rent

After dipping under \$6.00 per sq. ft. in the fourth quarter, the average direct asking lease rate increased by \$0.25 per sq. ft. to reach \$6.19 per sq. ft. This is a new record high average lease rate for the Louisville industrial market. The average direct asking lease rate has risen 4% year-over-year and posted a 60% increase since five years ago. In the Southern Indiana submarket, the average direct asking lease rate increased 15% over the fourth quarter, increasing \$0.82 per sq. ft. to \$6.30 per sq. ft.

Net Absorption

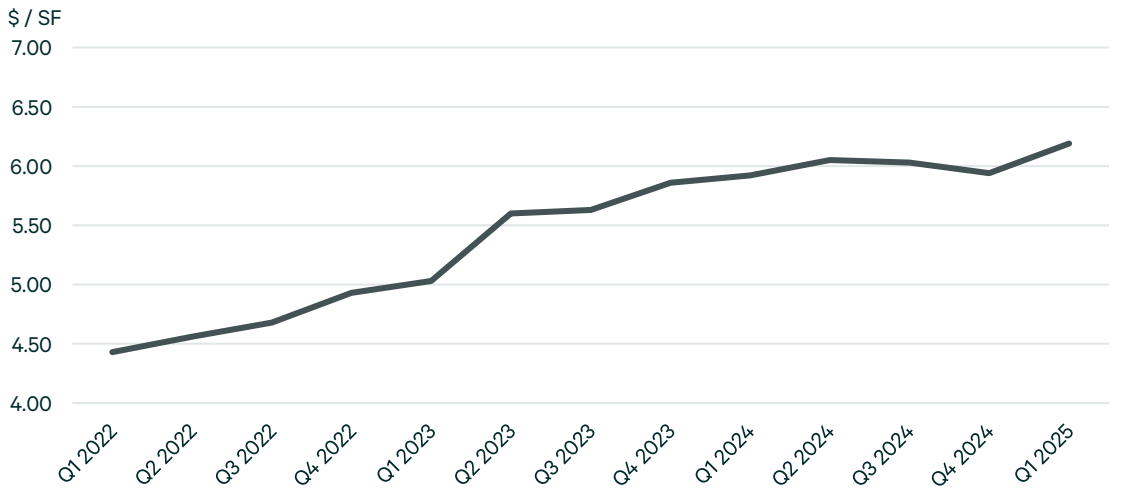
The market recorded 622,353 sq. ft. of positive net absorption in the first quarter led by a 427,573-sq.-ft. lease by FSK L&S USA in the Bullitt County Submarket. Additional leasing and the completion of a 101,716-sq.-ft. built-to-suit truck terminal for Southeastern Freight Lines helped the Bullitt County submarket post the most positive net absorption of all submarkets in the quarter. Additional submarkets with positive net absorption included Riverport, Southern Indiana and the Southside. The Bluegrass submarket recorded negative net absorption largely from a new vacancy of 123,750 sq. ft. by Fulfillment Concepts but still remains very tight at a 1.6% vacancy rate.

FIGURE 2: Availability Rates



Source: CBRE Research, Q1 2025

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q1 2025

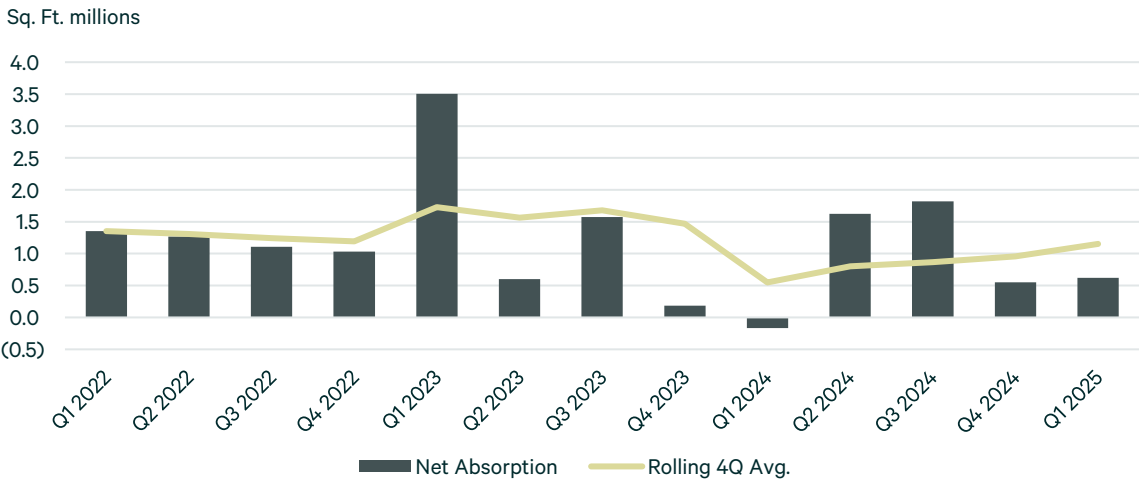
Construction Activity

Another wave of new construction activity was recorded in the first quarter with five new speculative projects and two owner-occupied design-build projects commencing construction. Two speculative projects totaling 1.2 million sq. ft. began in the Bullitt County submarket by developer Core5: Bullitt 3 Logistics Center, a 376,525-sq.-ft. warehouse, and Bourbon Logistics Center 7 with 840,054 sq. ft. Developer Dermody commenced construction on a 342,720 sq. ft. speculative warehouse called LogistiCenter at Airport West, and Duane Realty started construction on a nearly 120,000 sq. ft. speculative warehouse called 264 Commerce Center in the Southside submarket. Two owner-occupied design-build projects also got underway in the first quarter. Construction started on a project for the Census Bureau on a 343,813-sq.-ft. office warehouse in the River Ridge Commerce Center in the Southern Indiana submarket, and a 302,400-sq.-ft. warehouse is being constructed for a confidential occupier in the Shelby County submarket.

Completed construction projects during the first quarter included the speculative Phase IX building by America Place with 567,433 sq. ft., a 250,100 sq. ft. speculative warehouse by Scannell Properties, a 81,482 sq. ft. speculative warehouse by Scott Construction, all in the Southern Indiana submarket. In addition, the 175,000 sq. ft. speculative warehouse by Nicklies Development delivered in the Southside submarket, and a 101,716-sq.-ft. truck terminal for Southeastern Freight Lines was completed in the Bullitt County submarket.

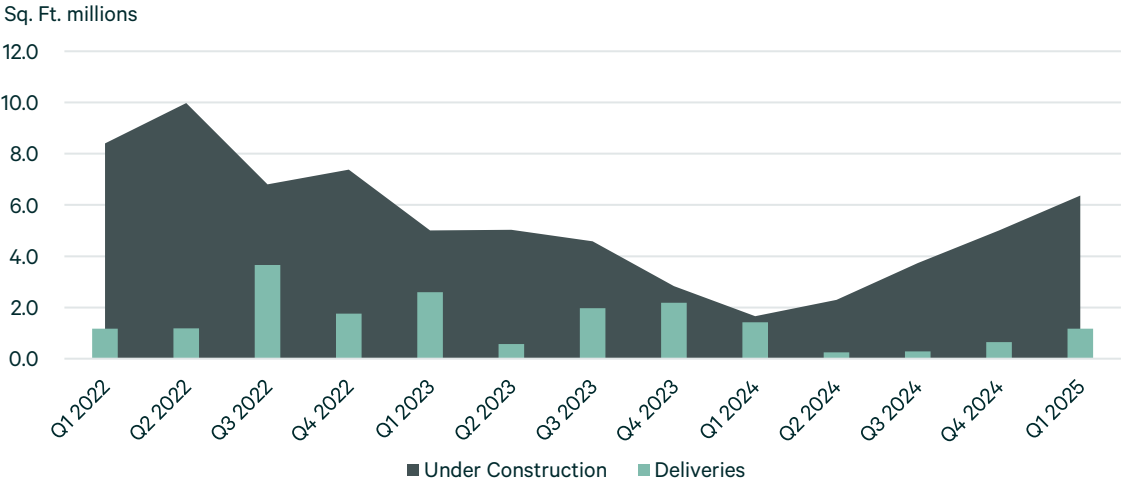
Construction continued on several projects that should complete in the next six months including LDG Development’s 331 Logistics Avenue with 211,696 sq. ft. and 160 Safety Street with 108,523 sq. ft., as well as two projects in the Shadow Lake development by USCD totaling 782,270 sq. ft., all in the Southern Indiana submarket. In addition, several owner-occupied design build projects should finish construction this year including KCC Manufacturing’s 380,000-sq.-ft. warehouse in Shelby County and projects for Canadian Solar and Meta in the River Ridge Commerce Center, with 700,000 sq. ft. each.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 5: Construction Activity

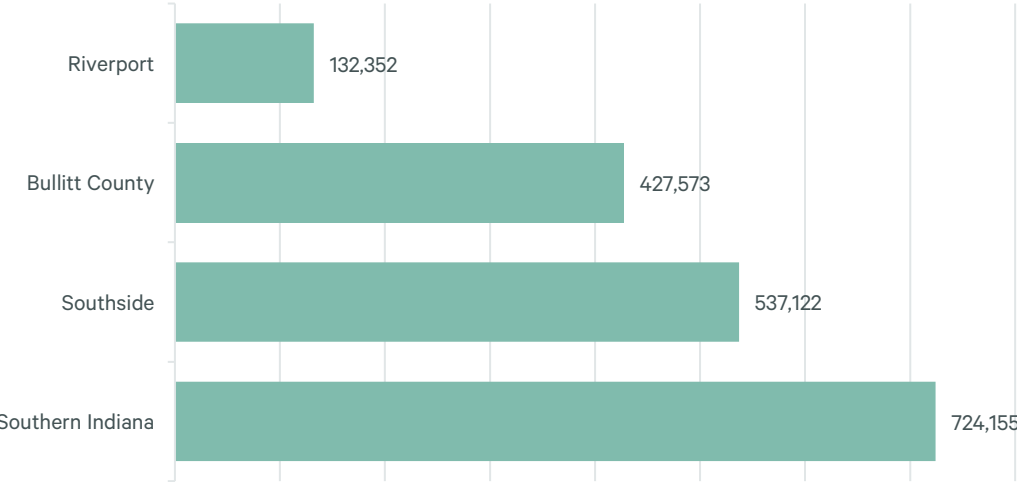


Source: CBRE Research, Q1 2025

Leasing Activity

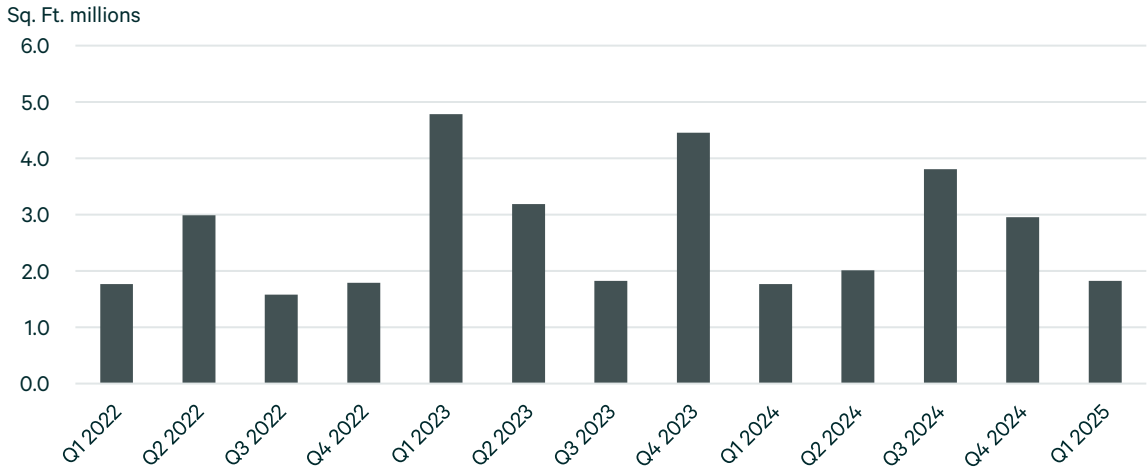
Total leasing activity in the first quarter was 2,172,481 sq. ft., 41% of which was new leasing or expansion activity. FSK L&S USA, a South Korean-based logistics company, leased a newly completed 427,573-sq.-ft. warehouse recently completed by LDG Development in the Bullitt County submarket. In the Riverport submarket, packaging company Greif expanded their operations with a 132,352 sq. ft. lease, and industrial equipment supplier George E. Booth Co. leased 48,750 sq. ft., also in the Riverport submarket, among others. One property sold for investment during the first quarter: the 908,600-sq.-ft. Velocity 65 Trade Center – Building 2 traded from developer Browning to Prologis in January for over \$75 million.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
FSK L&S USA	427,573	New Lease	450 Plaza Park Blvd	Bullitt County
Greif	132,352	New Lease	6901 Riverport Dr	Riverport
N/A	67,122	New Lease	4500 Robards Ln	Southside
N/A	59,674	New Lease	2100 Future Dr	Southern Indiana
George E. Booth Co.	48,750	New Lease	7100 Intermodal Dr	Riverport

Source: CBRE Research, Q1 2025

Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	15,222,761	3.4	4.7	4.7	0.0	6.82	2,441	2,441	81,482	211,245
100,000-199,999 sq. ft.	33,723,988	3.8	6.0	5.5	0.5	6.32	19,237	19,237	276,716	343,945
200,000-299,999 sq. ft.	28,618,333	5.7	8.7	7.1	1.6	6.01	48,750	48,750	250,100	996,829
300,000-499,999 sq. ft.	39,331,908	2.6	6.2	5.8	0.4	5.87	551,925	551,925	0	2,580,068
500,000-749,999 sq. ft.	28,792,328	7.5	12.4	10.8	1.6	6.20	0	0	567,433	1,400,000
750,000 sq. ft.	34,346,793	0.7	1.1	1.1	0.0	6.22	0	0	0	840,064
Total	180,036,111	3.8	6.4	5.8	0.7	6.19	622,353	622,353	1,175,731	6,372,151

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	125,209,860	4.9	8.2	7.2	1.0	6.36	549,144	549,144	1,175,731	4,270,491
Manufacturing	49,675,802	1.1	1.9	1.8	0.1	4.74	73,209	73,209	0	1,342,400
R&D / Flex	1,170,265	7.8	7.8	7.8	0.0	5.94	0	0	0	0
Other Industrial	3,980,184	2.4	7.9	7.9	0.0	5.60	0	0	0	759,260
Total	180,036,111	3.8	6.4	5.8	0.7	6.19	622,353	622,353	1,175,731	6,372,151

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Bluegrass	8,704,304	1.6	1.6	1.6	0.0	6.8	(138,750)	(138,750)	0	321,660
Bullitt County	24,788,582	5.5	5.7	5.5	0.3	6.17	571,289	571,289	101,716	1,216,589
Downtown	12,552,726	2.7	3.2	3.2	0.0	4.09	0	0	0	0
Northeast	11,310,241	0.5	1.6	1.4	0.2	7.2	0	0	0	0
Riverport	18,882,441	3.5	10.9	10.2	0.7	5.45	107,743	107,743	0	342,720
Shelby County	8,850,307	6.1	6.1	6.1	0.0	6.18	0	0	0	682,400
Southern Indiana	33,941,885	4.6	8.9	7.2	1.7	6.3	6,087	6,087	899,015	3,626,832
Southside	61,005,625	3.6	6.3	5.6	0.7	6.63	75,984	75,984	175,000	181,950
Total	180,036,111	3.8	6.4	5.8	0.7	6.19	622,353	622,353	1,175,731	6,372,151

National Economic Overview

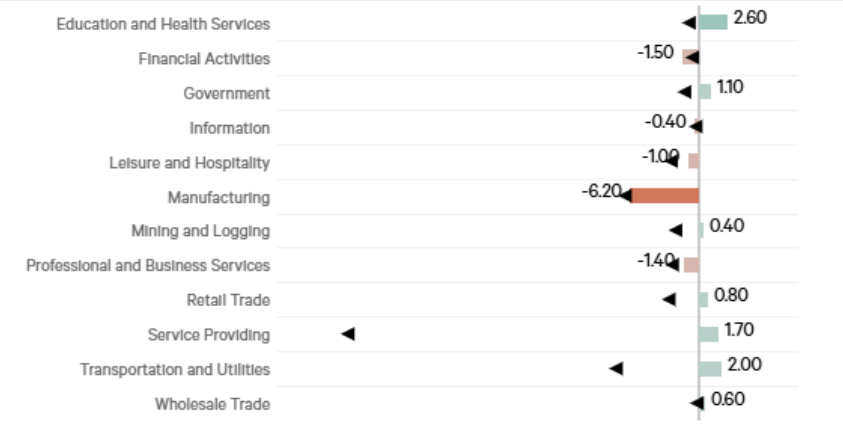
Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

Louisville, KY Employment Update

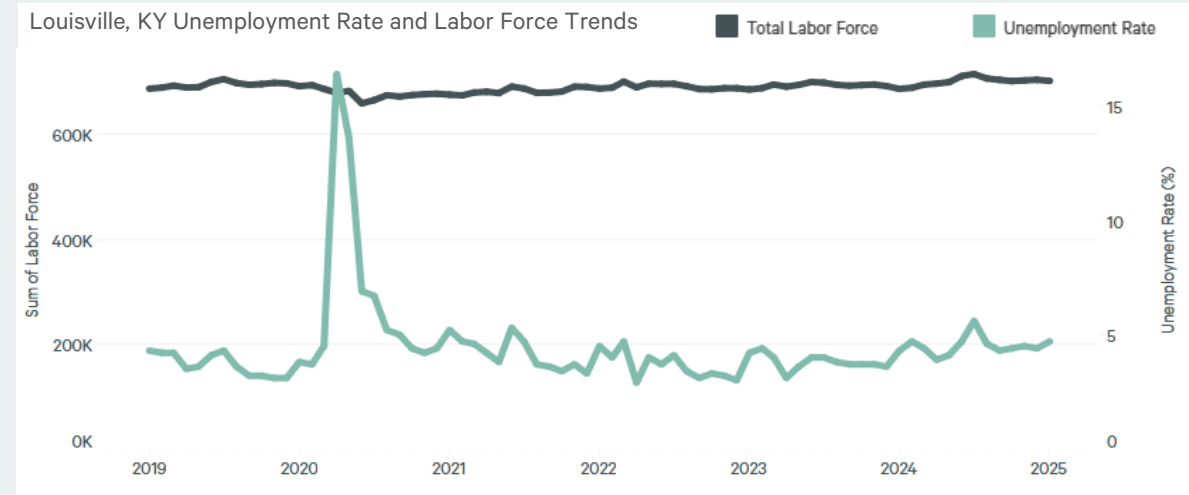
- ▲ 4.7%
Unemployment Rate
- ▼ 1.0M
Labor Force
- ▼ 239.8k
Office Using Jobs
- ▼ 308.1k
Industrial Using Jobs
- ▼ 150.9k
Retail Using Jobs

Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



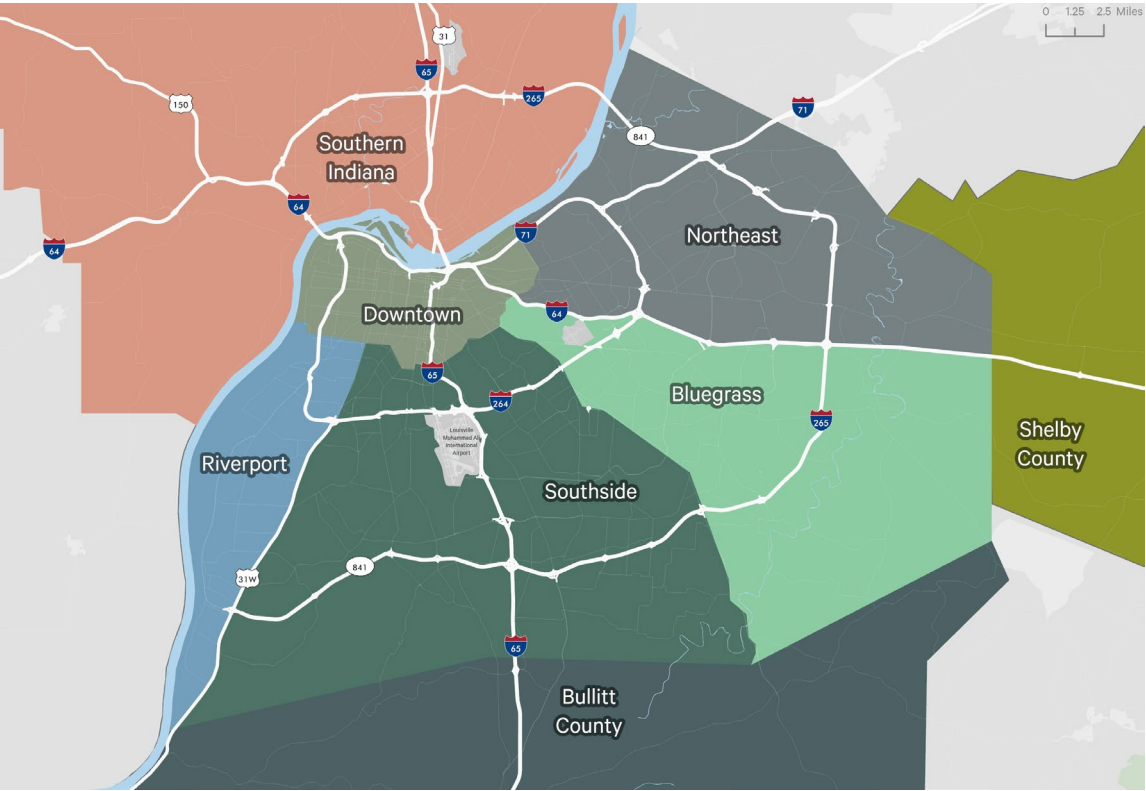
Source: US BLS, January 2025

Note: Arrows indicate month-over-month change.



Source: US BLS, January 2025

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building. Activity includes all user sale and lease transactions within a specific time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 50,000 sq. ft. and greater in size in Jefferson county, Bullitt county, Shelby County and portions of Clark and Floyd counties in Indiana. Buildings which have begun construction as evidenced by site excavation or foundation work.

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