

FIGURES | LOUISVILLE INDUSTRIAL | Q1 2024

# Louisville industrial market dips into negative net absorption territory

▲ 5.1%	▲ 5.9%	▲ \$5.92 PSF	▼ (162,418) SF	▼ 1.7 MSF	(162,418) SF
Vacancy Rate	Availability Rate	Average Asking Lease Rate	Net Absorption	Under Construction	YTD Net Absorption

Note: Arrows indicate change from previous quarter.

### Market Overview

In the first quarter, the Louisville industrial market posted 162,418 sq. ft. of negative net absorption, the first negative net absorption since the first quarter of 2015 due to several new vacancies that were not offset by leasing activity. Over half of the new vacancies occurred in just four buildings. These changes brought the marketwide vacancy rate to 5.1%, an increase of 90 basis points (bps) over the fourth quarter, and the marketwide availability rate added 30 bps to post 5.9%. The amount of available sublease space held steady at just over 1.7 million sq. ft., though this figure is 50% higher than one year ago. The marketwide average asking lease rate added \$0.06 per sq. ft. to post \$5.92 per sq. ft. for the quarter, which is another record high rate for the market.

### Activity

Market activity during the quarter was a mixed bag of new leasing and new vacancies across several submarkets, with a total of 1.9 million sq. ft. of leasing activity. The Riverport submarket recorded a new lease of 255,744 sq. ft., as well as two new vacancies totaling over 220,000 sq. ft. by Greif and Congo Brands. In the Southern Indiana submarket, a recently completed building with 303,598 sq. ft. was leased to a confidential tenant, though the submarket also recorded a

FIGURE 1: Vacancy Rate History



Source: CBRE Research, Q1 2024

260,000-sq.-ft. vacancy by idX and the closure of the 75,000-sq.-ft. flooring company Gilford Johnson. Material Handling Systems, now part of Fortna, contracted by 256,500 sq. ft. in the Bullitt County submarket and by 140,000 sq. ft. in the Southside submarket during the quarter.

Sale activity picked back up in the first quarter, with a 519,508-sq.-ft. warehouse in the Riverport submarket trading for \$23.5 million to Weston, Inc., and the 430,181-sq.-ft. Bourbon Logistics Center 2 in the Bullitt County submarket selling to current tenant Southern Glazer’s for \$42 million. In addition, Dayton Freight Lines purchased a 62,000-sq.-ft. truck terminal in the Southern Indiana submarket.

Construction

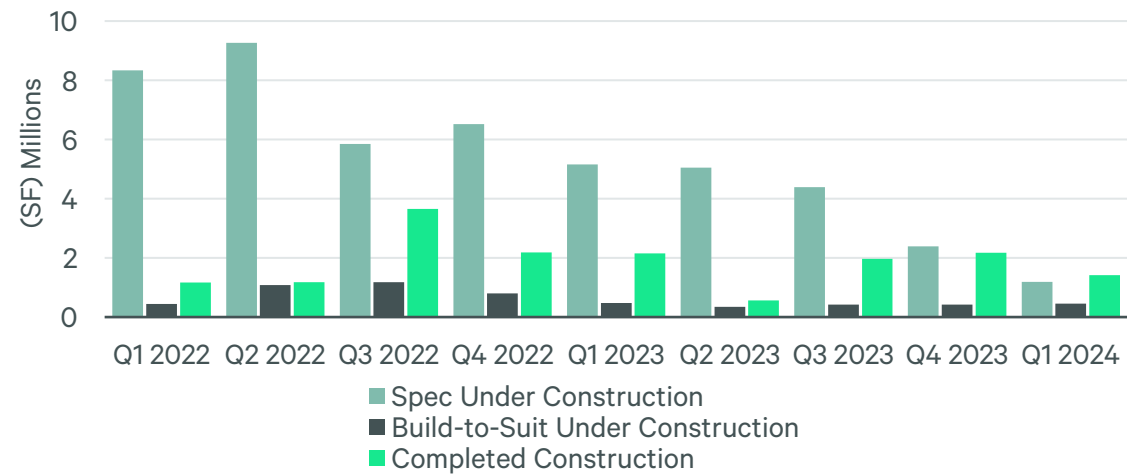
Five speculative buildings and two build-to-suit projects were completed during the quarter. In the Shelby County submarket, the first building in the Midland Industrial Center development with 160,808 sq. ft. was completed and is available for lease. In addition, two build-to-suit projects in Shelby County were completed: a 100,000-sq.-ft. metal recycling facility for Wieland North America, as well as a 120,000-sq.-ft. manufacturing facility for voestalpine Roll Forming. Also completed during the quarter was a 350,000-sq.-ft. speculative warehouse in the Southside submarket in the Riverport Phase Five development by local developer Kenneth Delcour, a 300,000-sq.-ft. warehouse in the River Ridge Commerce Center in the Southern Indiana submarket by developer Capstone and partially leased by Bintelli, a new-to-market low-speed electric vehicle manufacturer. Two fully leased buildings in the Bluegrass submarket by developer Hemmer Co., Blankenbaker Logistics Center Building 1 with 154,250 sq. ft. and Building 2 with 240,600 sq. ft., were also completed.

As anticipated, due to high lending and materials costs, construction activity in the market has declined to the lowest levels since 2020 with a total of just over 2 million sq. ft. under construction in the first quarter. One new project commenced construction during the quarter in the Southern Indiana submarket, a 250,000-sq.-ft. distribution warehouse for 3PL Bluegrass Supply Chain Services. It is expected to be completed over the summer.

Outlook

We anticipate a continued slower pace of speculative construction, though build-to-suit projects should remain steady for the next several quarters. The user traffic and interest in our market remains strong and with these current activity levels, the limited existing supply of new product and shrinking speculative pipeline, we feel demand will outpace supply for 2024.

FIGURE 2: Under Construction and Completions



Source: CBRE Research, Q1 2024

FIGURE 3: Average Asking Lease Rate History



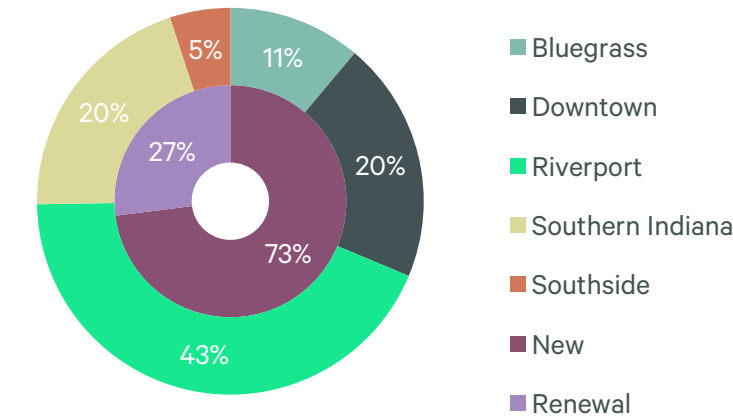
Source: CBRE Research, Q1 2024

FIGURE 4: Available Sq. Ft. – Direct vs. Sublease



Source: CBRE Research, Q1 2024

FIGURE 5: Leasing Activity



Source: CBRE Research, Q1 2024

FIGURE 6: Market Statistics (Buildings 50,000 Sq. Ft. and greater)

	Market Rentable Area (SF)	Vacancy Rate (%)	Avail. Rate (%)	Net Absorption (SF)	Under Construction (SF)	Construction Completions (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Bluegrass	8,493,819	0.1	2.0	530,250	207,750	394,850	8.56
Bullitt County	24,425,187	10.1	11.5	(256,500)	426,300	0	5.92
Downtown	12,552,726	2.3	3.1	99,929	0	0	4.84
Northeast	11,310,241	0.0	0.2	0	0	0	--
Riverport	18,871,591	6.6	6.6	(168,181)	0	0	5.76
Shelby County	8,642,407	21.6	21.6	44,125	283,500	380,808	6.03
S. Indiana	32,652,195	2.9	4.5	230,078	550,080	300,000	5.38
Southside	60,889,338	3.8	4.2	(642,119)	181,800	350,000	6.31
TOTALS	177,442,654	5.1	5.9	(162,418)	1,649,430	1,425,658	5.92

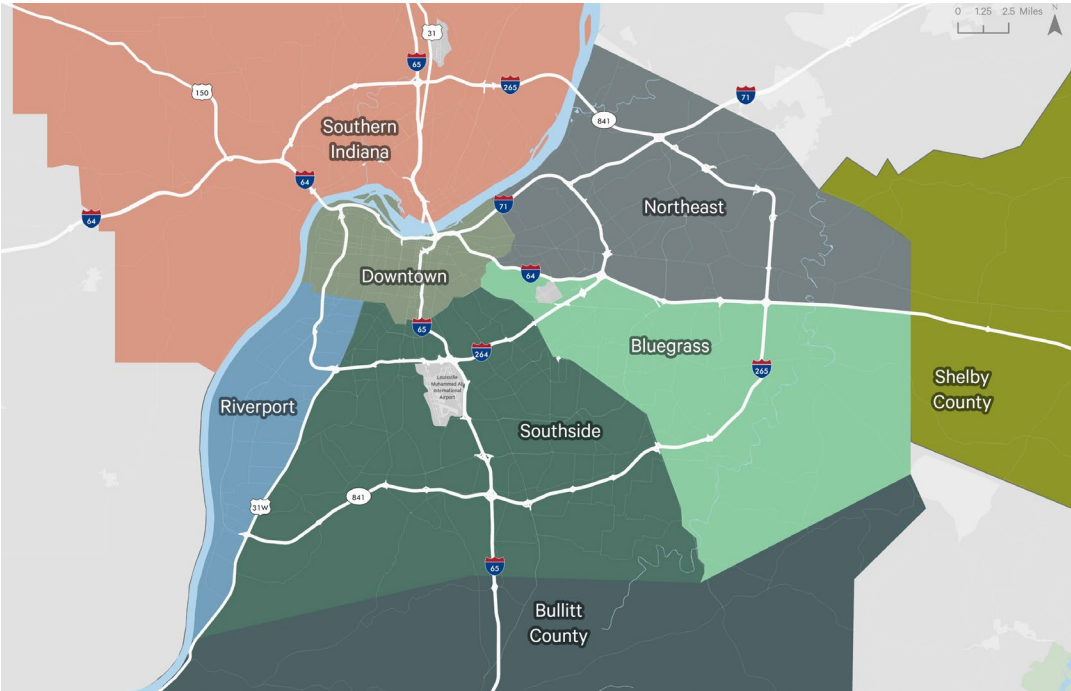
Source: CBRE Research, Q1 2024

FIGURE 7: Key Transactions (Partial List)

Size (Sq. ft.)	Tenant/Buyer	Submarket
430,181 **	Southern Glazer's	Bullitt County
303,598 ^^	Confidential	Southern Indiana
298,000 ^^	Hydra Warehouse	Downtown
255,744 *	Design Services Group	Riverport
*Lease Transactions	**Sale Transactions	^CBRE Transactions

Source: CBRE Research, Q1 2024

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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