

FIGURES | LOUISVILLE INDUSTRIAL | Q3 2024

# Brisk market activity drops vacancy to 3.4%

▼ 3.4%	▼ 5.0%	▼ \$6.02 PSF	▲ 1,820,012 SF	▲ 3.7 MSF	3,280,332 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

The Louisville industrial market recorded strong leasing activity and 1.8 million sq. ft. of positive net absorption in the third quarter. The marketwide vacancy rate declined 90 basis points (bps) to 3.4%, and the availability rate fell by 40 bps to 5.0%. The amount of available sublease space declined again this quarter to 739,574 sq. ft. This figure is down 45% year-over-year. The marketwide average asking lease rate declined for the first time since 2020, down \$0.02 per sq. ft. to \$6.03 per sq. ft., as a result of the high volume of leasing activity in newer product during the quarter. In addition, over \$104 million in sale activity also occurred during the third quarter among four sales, two investment and two user sales.

### Activity

A number of leases were executed in the third quarter, with 3.6 million sq. ft. recorded. This figure is 87% higher than second quarter activity. The largest share of this activity occurred in the Shelby County submarket with a 1 million-sq.-ft. lease occurring in the I-64 Logistics Center Building A, as well as an 80,000-sq.-ft. lease in the first building in the Midland Industrial Center development by new-to-market Riverstone Logistics. In addition, the second building in the I-64 Logistics Center development, a 477,600 sq. ft. speculative building, sold to a user during the quarter.

FIGURE 1: Vacancy Rate History



Source: CBRE Research, Q3 2024

The Riverport submarket also posted a large share of the leasing activity for the quarter with a 212,500-sq.-ft. lease by eJOOV, as well as a 506,440-sq.-ft lease to XPO Logistics in the former Guess?, Inc. facility.

Investment sale activity included the above mentioned sale/leaseback of the 506,440 sq. ft. former Guess?, Inc. facility to Exeter Property Group for \$40 million, as well as the sale of a 169,000-sq.-ft. warehouse in Bullitt County to Prologis for \$17.745 million.

As a result of this activity, it is noteworthy that the Shelby County submarket recorded a 1570 bps drop in vacancy to 6.1%, and the Riverport submarket posted a 160 bps drop in vacancy to 4.6%. Overall, the market posted 2.3 million sq. ft. of new leases and 1.25 million sq. ft. of sale activity during the third quarter which contributed to the marketwide net absorption total of 1.8 million sq. ft.

Construction

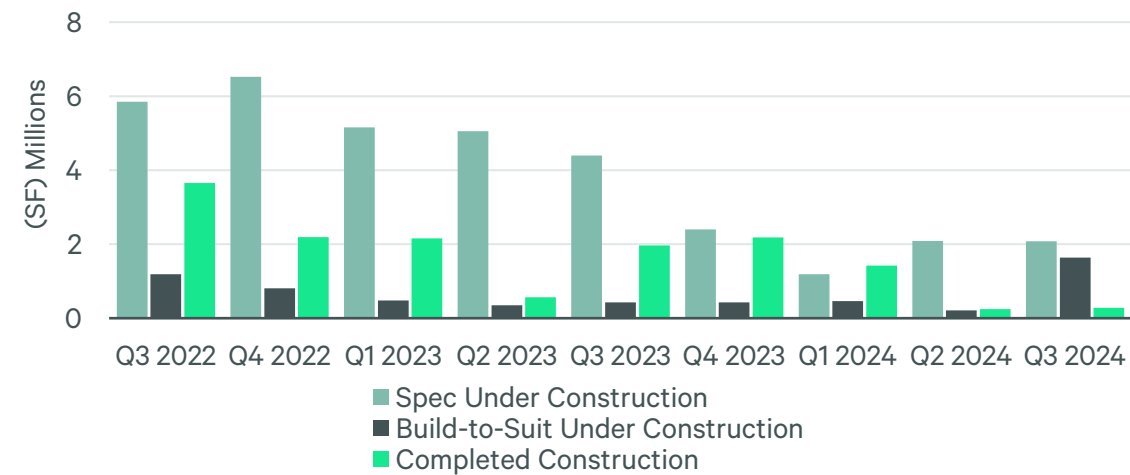
Four new speculative projects and four build-to-suit projects commenced construction during the quarter. In the Southern Indiana submarket, five projects got underway. In the River Ridge Commerce Center, a 250,100-sq.-ft. warehouse by Scannell Properties, an 81,482-sq.-ft. warehouse by Scott Construction, Meta’s 700,000-sq.-ft. data center, as well as a build-to-suit warehouse with 89,885 sq. ft. for Zigliff all commenced during the quarter. In addition, developer Platform Real Estate Group began construction on the first building consisting of 336,000 sq. ft. in their five-building development in Clarksville, Indiana called Platform Park @ I-65. In the Bluegrass submarket, a 262,400 sq. ft. build-to-suit project for Bigelow Tea broke ground, and in the Shelby County submarket, KCC Manufacturing commenced construction on a 380,000 sq. ft. build-to-suit project. Also, developer Duane Realty began construction on a 62,100-sq.-ft. warehouse in the Southside submarket.

In the fourth quarter, we expect two speculative projects and two build-to-suit projects totaling roughly 1.6 million sq. ft. to commence construction, all in the River Ridge Commerce Center. Additionally, two build-to-suit projects in the Bluegrass submarket and one speculative project in the Bullitt County submarket will be completed in the fourth quarter, adding over 630,000 sq. ft. to the market.

Outlook

While many are focused on November’s election, the recent interest rate cut in September has already breathed life into the real estate markets. We anticipate steady leasing activity, along with an uptick in sale activity through the end of the year, especially with additional rate cuts being signaled. Lending and construction costs continue to remain high and asking lease rates will continue to climb as owners seek to cover these increasing costs, especially at newer properties.

FIGURE 2: Under Construction and Completions



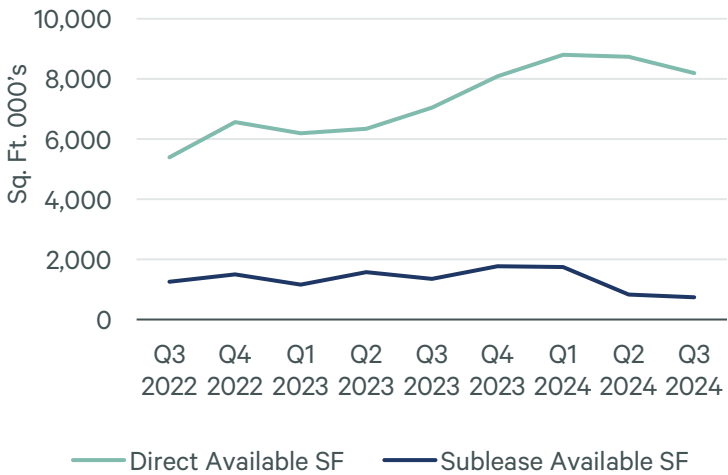
Source: CBRE Research, Q3 2024

FIGURE 3: Average Asking Lease Rate History



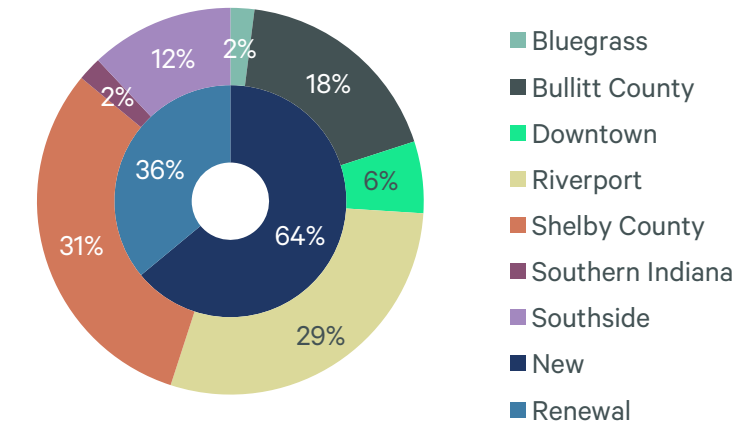
Source: CBRE Research, Q3 2024

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



Source: CBRE Research, Q3 2024

FIGURE 5: Leasing Activity



Source: CBRE Research, Q3 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	8,489,569	0.8	0.8	(46,000)	470,150	0	7.95
Bullitt County	24,259,293	7.4	7.5	0	426,300	0	6.19
Downtown	12,552,726	2.4	2.6	0	0	0	4.09
Northeast	11,310,241	0.5	2.0	(60,000)	0	0	7.73
Riverport	18,882,441	4.6	7.6	309,639	0	0	5.45
Shelby County	8,850,307	6.1	6.1	1,610,431	380,000	283,500	5.95
S. Indiana	32,902,195	2.7	5.0	57,317	2,024,900	0	5.65
Southside	60,914,538	2.6	4.7	(51,375)	418,900	0	6.52
TOTALS	178,161,310	3.4	5.0	1,820,012	3,720,250	283,500	6.03

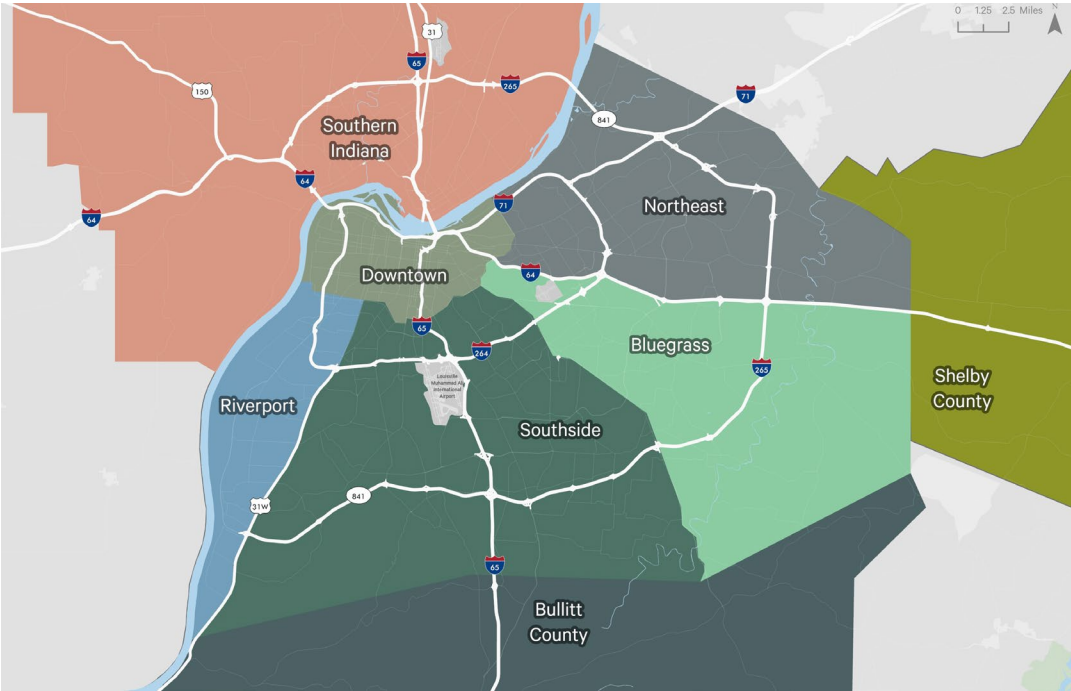
Source: CBRE Research, Q3 2024

FIGURE 7: Key Transactions (Partial List)

Size (Sq. ft.)	Tenant/Buyer	Submarket
1,052,831 **	Confidential	Shelby County
506,440 *	XPO Logistics	Riverport
477,600 ***	Confidential	Shelby County
212,500 **	eJOOV	Riverport
*Lease Transactions	**Sale Transactions	^CBRE Transactions

Source: CBRE Research, Q3 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.

Contact

David L. Hardy, CCIM  
Managing Director  
+1 502 412 7644  
david.hardy@cbre.com

Jill Morzillo  
Senior Field Research Analyst  
+1 502 412 7621  
jill.morzillo@cbre.com

10200 Forest Green Blvd  
Suite 500  
Louisville, KY 40223  
+1 502 429 6700  
www.cbre.com/louisville

