

FIGURES | LOUISVILLE INDUSTRIAL | Q4 2024

Construction activity accelerates in the fourth quarter to over 5 million sq. ft.

▲ 3.5%	▲ 5.1%	▼ \$5.94 PSF	▼ 548,398 SF	▲ 5.0 MSF	3,828,730 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 548,398 sq. ft. of positive net absorption in the fourth quarter, bringing the annual net absorption total to 3,828,730 sq. ft. The marketwide vacancy rate slightly increased 10 basis points (bps) to 3.5% and the availability rate also increased 10 bps to 5.1%. The available sublease space fell by over 176,000 sq. ft. to 562,974 sq. ft., a decrease of 68% year-over-year. The marketwide average asking lease rate declined \$0.09 per sq. ft. this quarter to finish the year at \$5.94 per sq. ft. Three new buildings finished construction and eight new properties began construction during the fourth quarter, pushing the under construction total to over 5 million sq. ft. In addition, six properties sold during the quarter as investments, totaling over \$237 million.

Activity

Leasing activity in the fourth quarter totaled just over 2.8 million sq. ft. Dorman Products, a new-to-market company, executed a 436,716 sq. ft. full building lease in the Bullitt County submarket, and the U.S. Census Bureau committed to a 343,813-sq.-ft. lease on a build-to-suit project in the Southern Indiana submarket. In addition, a 302,400-sq.-ft. lease was completed with a confidential company for a build-to-suit project in the Shelby County submarket, and a confidential new-to-market company leased 211,680-sq.-ft. in the Southern Indiana submarket, among others.

FIGURE 1: Vacancy Rate History



Source: CBRE Research, Q4 2024

Investment sale activity totaling over \$237 million included a portfolio sale of three properties in the Riverport submarket to Exeter Property Group, a trade in the Southern Indiana submarket of a 426,450-sq.-ft. building from Tratt Properties to GCP/Highline, and an additional purchase by Exeter Property Group of a 500,918-sq.-ft. building in the Bullitt County submarket from Stoltz Real Estate. Additionally, the 1 million sq. ft. I-64 Logistics Center Building A was traded by the developer to WP Carey during the quarter.

Construction

New construction activity was strong in the fourth quarter with five new speculative projects and two owner-occupied design-build projects commencing construction. In the River Ridge Commerce Center in the Southern Indiana submarket, LDG Development started construction on two speculative projects: a 108,523-sq.-ft. warehouse and a 211,969 sq. ft. warehouse. Also in the River Ridge Commerce Center, a 238,800 sq. ft. speculative warehouse broke ground by developer Pizzuti. In addition, construction on two speculative warehouse properties in the Shadow Lake development in the Southern Indiana submarket commenced by developer U.S. Capital Development, one with 498,610 sq. ft. and one with 283,660 sq. ft. Canadian Solar began work on their 700,000-sq.-ft. solar cell manufacturing facility, also in the River Ridge Commerce Center in the Southern Indiana submarket. In the Bluegrass submarket, Unifirst began construction on a design-build facility with nearly 60,000 sq. ft.

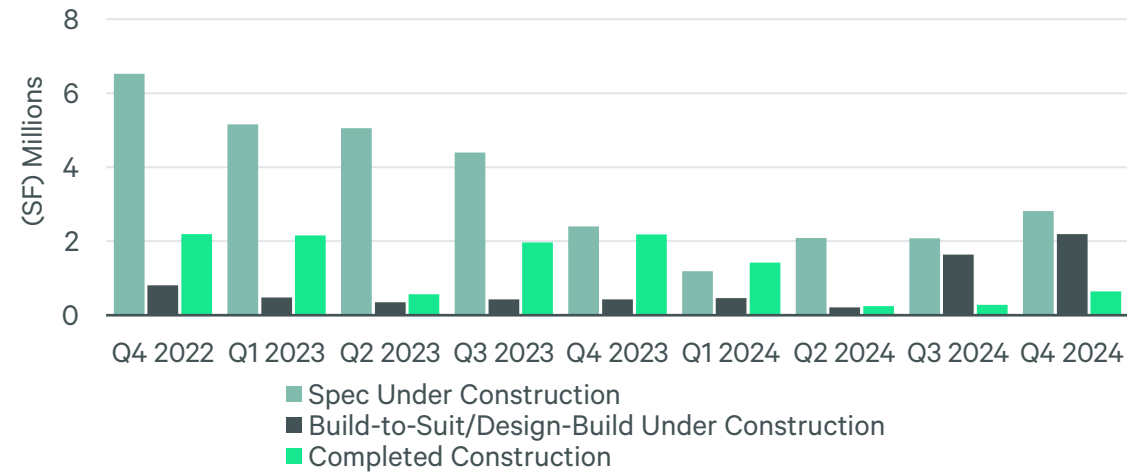
Several projects were completed during the quarter including LDG Development’s 426,300-sq.-ft. Park South building in the Bullitt County submarket, as well as an 81,000 sq. ft. design-build warehouse for Mills Supply and a 133,735-sq.-ft. design-build warehouse for Terex, both in the Bluegrass submarket. In addition, LDG Development completed two 32,000-sq.-ft. speculative warehouses in the Riverport submarket. In total, 490,300 sq. ft. of speculative warehouse space was added, while 214,735 sq. ft. of design-build space was added to the market during the fourth quarter.

In the first quarter, we expect the completion of one build-to-suit project and three speculative projects totaling just over 400,000 sq. ft., as well as anticipate the commencement of new speculative projects totaling over 958,000 sq. ft. and build-to-suit/design-build projects totaling over 871,000 sq. ft.

Outlook

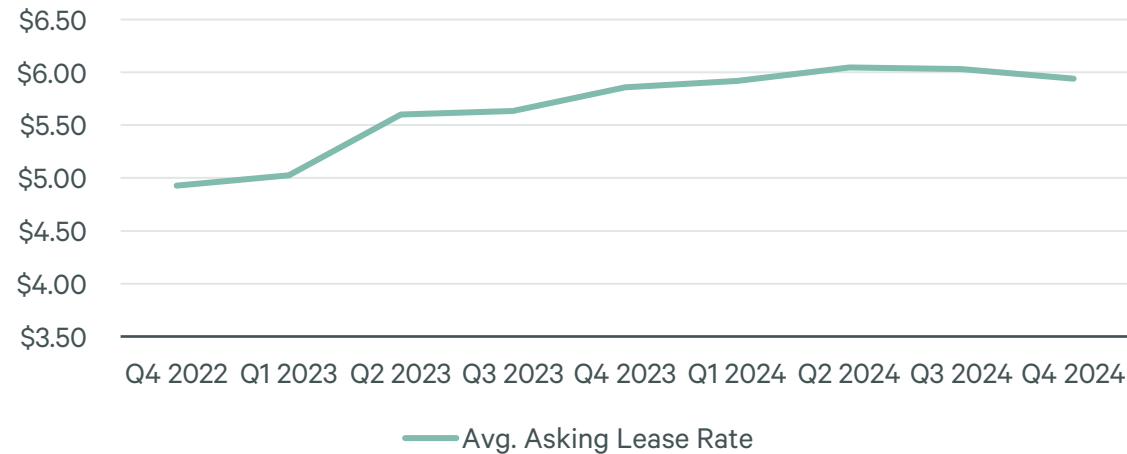
The economic outlook for the Louisville industrial market remains positive. With vacancy rates still low, demand for industrial space continues to outpace supply, driving rental rates upward. The increasing rents reflect strong market fundamentals and heightened investor interest. Additionally, construction activity has ramped up to accommodate this demand, indicating confidence in the market's growth potential. Overall, the Louisville industrial sector is poised for continued expansion, supported by a favorable economic environment and strategic investments in infrastructure.

FIGURE 2: Under Construction and Completions



Source: CBRE Research, Q4 2024

FIGURE 3: Average Asking Lease Rate History



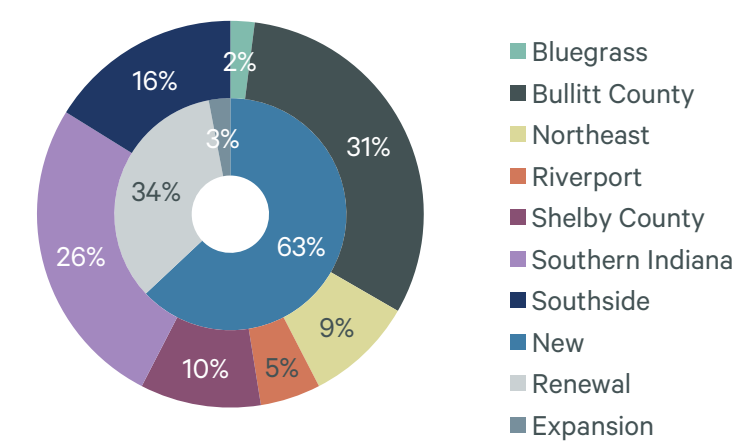
Source: CBRE Research, Q4 2024

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



Source: CBRE Research, Q4 2024

FIGURE 5: Leasing Activity



Source: CBRE Research, Q4 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	8,704,304	0.0	0.0	284,735	321,660	214,735	-
Bullitt County	24,685,593	7.4	7.6	394,716	0	426,300	6.13
Downtown	12,552,726	2.7	2.7	(49,000)	0	0	4.18
Northeast	11,310,241	0.5	1.3	0	0	0	7.20
Riverport	18,882,441	4.1	11.1	96,528	0	0	5.38
Shelby County	8,850,307	6.1	6.1	0	380,000	0	6.00
S. Indiana	33,042,870	2.0	3.7	331,548	4,066,462	0	5.48
Southside	60,830,625	3.4	4.7	(510,129)	237,100	0	6.44
TOTALS	178,859,107	3.5	5.1	548,398	5,005,222	641,035	5.94

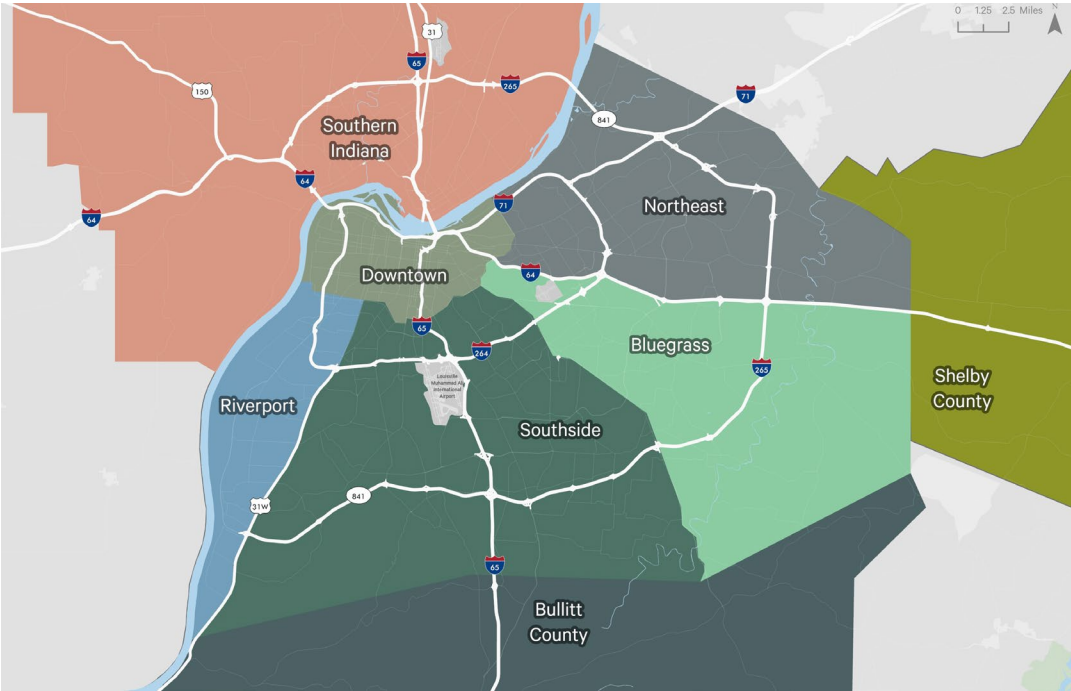
Source: CBRE Research, Q4 2024

FIGURE 7: Key Transactions (Partial List)

Size (Sq. ft.)	Tenant/Buyer	Submarket
1,052,831 **	WP Carey	Shelby County
500,918 ***^	Exeter Property Group	Bullitt County
436,716 *	Dorman Products	Bullitt County
426,450 ***^	GCP/Highline	Southern Indiana
*Lease Transactions	**Sale Transactions	^CBRE Transactions

Source: CBRE Research, Q4 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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