

# MARKETBEAT INDUSTRIAL SNAPSHOT



## LOUISVILLE, KY

A Cushman & Wakefield Research Publication

Q2 2014



### ECONOMIC OVERVIEW

The economic data for June released thus far indicates that the U.S. economy has finally broken out of the 2% growth malaise that has characterized this recovery since it began five years ago. For more than a year, economists have been predicting an acceleration in the pace of the recovery and it now appears to have occurred as improved market fundamentals and tight vacancies continue to increase the amount of new construction across the country as the U.S. economy continues to improve.

### LEASING ACTIVITY & ABSORPTION

Overall year-to-date (YTD) industrial leasing activity of 1,955,496 square feet (sf) was 19% less than the 2,409,519 sf experienced last year but the second half of the year looks very promising.

Second quarter overall absorption of 462,834 sf more than offset the negative absorption experienced in the first quarter. YTD overall absorption stands at 176,193 sf. A vibrant pipeline of prospects along with the 650,000 sf of build-to suits under construction suggests that by the end of the year we should be at or above our ten year average of 2 million square feet of positive net absorption.

There were four significant leases during the quarter. Tower Automotive leased 218,549 sf at Park 480 in Bullitt County. Toll Global and Kuhne & Nagel leased 198,590 sf and 100,000 sf respectively at Riverport, and a yet to be named tenant leased 150,000 sf at the new America Place building at River Ridge in Clark County.

Second quarter investment sale activity included three significant transactions. KTR purchased a 606,492 sf building in Bullitt County from Main Street Realty. Exeter bought a 450,535 sf building from Pinchal in River Ridge, and Becknell purchased two buildings from KTR on Global Drive totaling 402,270 sf.

### VACANCY RATES

The overall industrial vacancy rate increased 0.4 % during the quarter to 6.7%. Bullitt County's vacancy rate experienced an increase of 7.4% and currently stands at 13.0%, largely the result of construction completions at LogistiCenter and Park 480, totaling over 900,000 square feet of uncommitted vacant space. There is currently 1,870,397 sf under construction with estimated completion by end of year 2014, 65% of which represents new speculative construction.

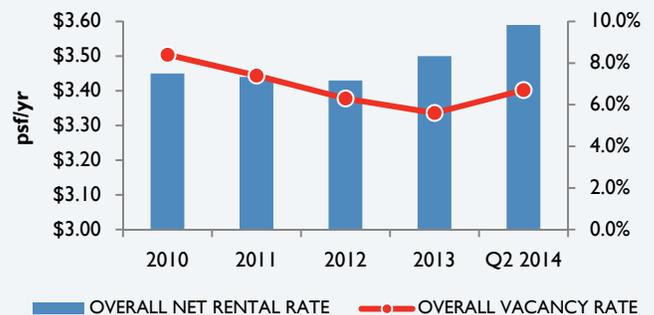
### OUTLOOK

Even with the addition of 9.2 million square feet (msf) of speculative new construction, the U.S. overall industrial vacancy rate continues to trend down, ending the first quarter at 7.7%, 90 bps lower than one year ago. A shortage of top tier industrial space has placed upward pressure on rents and recent market activity has provided clear evidence that industrial rents are starting to trend up stimulating an increase in speculative industrial development.

### STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.9%	6.7%	1.8pp	▲
Direct Asking Rents (psf/yr)	\$3.48	\$3.59	3.1%	▲
YTD Leasing Activity (sf)	2,409,519	1,955,496	-23.2%	▲

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



## LOUISVILLE, KY

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
<b>CENTRAL</b>	25,142,338	8.1%	85,243	224,565	0	0	(149,761)	(149,761)	N/A	\$2.61	\$5.66	\$3.10
Downtown	12,402,816	9.9%	60,448	182,775	0	0	(51,452)	(51,452)	N/A	\$2.56	\$5.48	\$2.91
I-64	2,963,357	8.7%	4,000	0	0	0	(12,996)	(12,996)	N/A	\$2.37	\$4.47	\$4.11
I-65	9,776,165	5.7%	20,795	41,790	0	0	(85,313)	(85,313)	N/A	\$2.82	\$7.26	\$3.00
<b>EAST</b>	19,016,797	5.3%	243,457	26,243	337,000	0	(200,991)	(200,752)	N/A	\$5.88	\$6.95	\$3.43
Jeffersontown	10,955,999	6.2%	139,759	26,243	337,000	0	(156,376)	(168,470)	N/A	\$4.48	\$6.58	\$3.04
Middletown / Eastpoint	3,479,559	5.7%	17,360	0	0	0	(64,987)	(113,937)	N/A	\$8.82	\$8.98	\$4.48
Westport Road	4,581,239	2.9%	86,338	0	0	0	20,372	81,655	N/A	N/A	\$5.91	\$3.99
<b>SOUTH</b>	39,452,116	6.4%	409,568	304,716	488,397	230,000	194,719	157,719	N/A	\$3.21	\$5.89	\$3.42
Airport	22,277,652	6.0%	366,696	211,542	315,147	230,000	292,196	292,196	N/A	\$3.00	\$6.73	\$3.45
Bishop Lane	8,550,956	7.8%	15,733	93,174	173,250	0	(87,459)	(124,459)	N/A	\$3.66	\$6.14	\$2.81
Fern Valley	8,623,508	5.7%	27,139	0	0	0	(10,018)	(10,018)	N/A	\$3.84	\$4.34	\$3.76
<b>WEST / SOUTHWEST</b>	20,431,828	3.7%	356,312	0	25,000	0	14,033	14,033	N/A	\$2.62	\$3.95	\$3.34
Iroquois	714,916	6.3%	0	0	0	0	(5,000)	(5,000)	N/A	\$5.26	N/A	N/A
Riverport	15,809,111	3.9%	356,312	0	25,000	0	36,037	36,037	N/A	\$3.25	\$3.95	\$3.31
Westend	3,907,801	2.6%	0	0	0	0	(17,004)	(17,004)	N/A	\$1.95	N/A	\$4.20
<b>BULLITT COUNTY</b>	12,239,587	13.0%	661,949	0	0	1,132,254	226,549	156,049	N/A	N/A	N/A	\$3.71
<b>SOUTHERN INDIANA</b>	14,111,639	6.3%	198,967	167,362	1,020,000	0	198,905	198,905	N/A	\$4.63	\$7.32	\$3.23
Floyd County	3,220,069	2.6%	0	25,288	0	0	(10,650)	(10,650)	N/A	N/A	\$8.25	\$3.75
Clark County	10,891,570	7.4%	198,967	142,074	1,020,000	0	209,555	209,555	N/A	\$4.63	\$4.00	\$3.22
<b>TOTALS</b>	<b>130,394,305</b>	<b>6.7%</b>	<b>1,955,496</b>	<b>722,886</b>	<b>1,870,397</b>	<b>1,362,254</b>	<b>283,454</b>	<b>176,193</b>	<b>N/A</b>	<b>\$3.18</b>	<b>\$6.15</b>	<b>\$3.46</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

\*\* INVENTORY INCLUDES MULTI-TENANT, SINGLE-TENANT AND OWNER-OCCUPIED BUILDINGS 10,000 SQUARE FEET AND GREATER

\*\*\* HIGH-TECH INVENTORY DOES NOT EXIST IN THIS MARKET

## LOUISVILLE INDUSTRIAL SUBMARKETS

**Central:** Lies within I-264, and is bounded to the north by the Ohio River. Includes the CBD, and offers excellent access to interstates and the airport.

**East:** Runs along the eastern portion of I-264 down Bardstown Road and extends east. Exceptional highway accessibility makes the submarket ideal for distribution.

**South:** Located south of I-264 to the Jefferson County line, and extends east to Bardstown Road and west to National Turnpike.

**West/Southwest:** Area west of I-264 and National Turnpike and north to the Ohio River. Jefferson Riverport International is located here and maintains a Foreign Trade Zone designation.

**Bullitt County:** Is bounded by the Jefferson County line on the north and bisected by Interstate 65.

**Southern Indiana:** Comprises Clark and Floyd counties, including the cities of Jeffersonville, Clarksville and New Albany.

