



## MARKET FUNDAMENTALS

|  | YOY Chg | Outlook |
|--|---------|---------|
| <b>3.6%</b><br>Vacancy Rate  | ▼       | ▼       |
| <b>3.3M</b><br>YTD Net Absorption, SF                                  | ▼       | ▲       |
| <b>\$5.93</b><br>Asking Rent, PSF<br><i>(Overall, Net Asking Rent)</i> | ▲       | ▲       |

## ECONOMIC INDICATORS

|   | YOY Chg | Outlook |
|---|---------|---------|
| <b>702.6K</b><br>Louisville Employment      | ▼       | ▲       |
| <b>4.6%</b><br>Louisville Unemployment Rate | ▲       | ▬       |
| <b>4.2%</b><br>Country Unemployment Rate    | ▲       | ▲       |

Source: BLS

## ECONOMIC OVERVIEW

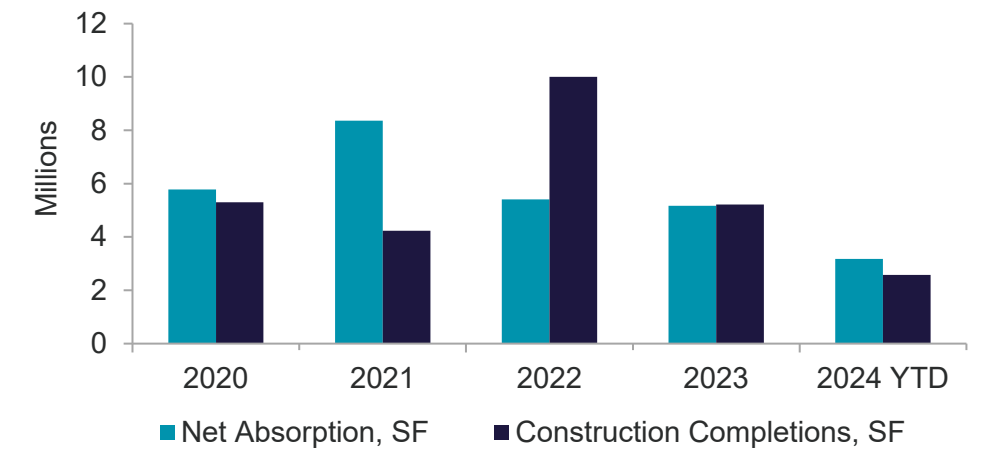
The cautious optimism expressed at the end of Q3 2024 came to fruition as the U.S. economy finished the year seemingly in a very healthy state. The U.S. Bureau of Economic Analysis reported that GDP grew by 3.1% in Q3 2024 with GDP growth projected for Q4 2024 at 2.7%. The Federal Reserve cut another 25 basis points from the Federal Funds rate in November and appears to be pulling the right levers in its dual mandate to reduce inflation and promote full employment in the economy. Inflation accelerated slightly at the year's end, coming in at 2.7% for the month of December, though down significantly since the start of the year. Meanwhile, total U.S. nonfarm payroll numbers increased to 710,900, increasing 1.2% for the month. Locally, employment in Louisville remains strong, with the unemployment rate holding steady at 4.2%.

## MARKET OVERVIEW

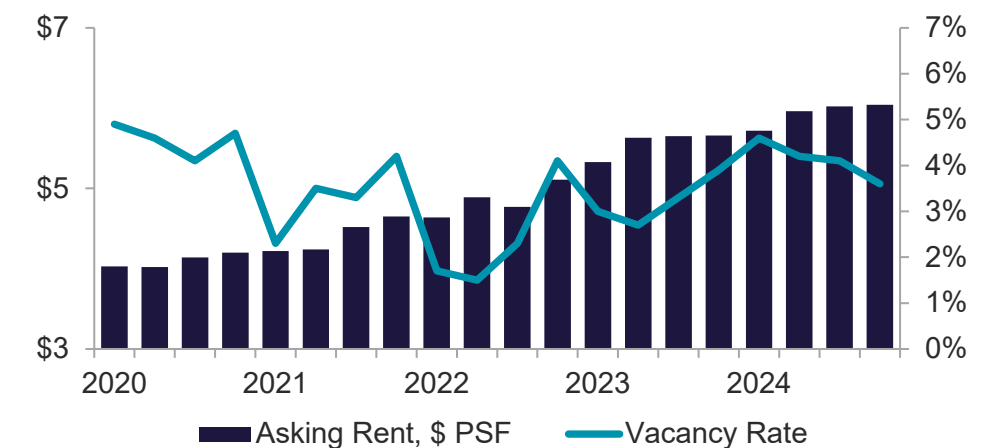
Overall leasing activity during the fourth quarter totaled 2.6 msf square feet (sf) bringing the YTD total to 7.7 msf down from 10.5 msf by the end of 2023. Canadian Solar's lease in Shelby County gave the submarket a substantial boost in leasing activity at 1 msf and lead the quarter in leasing activity. Southern Indiana and Bullitt county also turned in respectable transaction numbers of 715,493 sf and 436,716 sf, respectively.

Overall net absorption for the fourth quarter totaled 1.7 msf, an improvement over the 762,213 sf absorbed in the fourth quarter of 2023. YTD absorption in 2024 ended at 3.1 msf, less than the 5.2 msf of occupancy gains recorded throughout 2023. The Louisville vacancy rate continued to drop, decreasing 50 basis points (bps) from 4.1% in the third quarter to 3.6%. Shelby County posted the most positive net absorption this quarter with 1.5 msf, a 565% change year-over-year (YOY) increase, while the Bullitt County and Southern Indiana reporting an additional 235,792 sf and 206,925 sf, respectively.

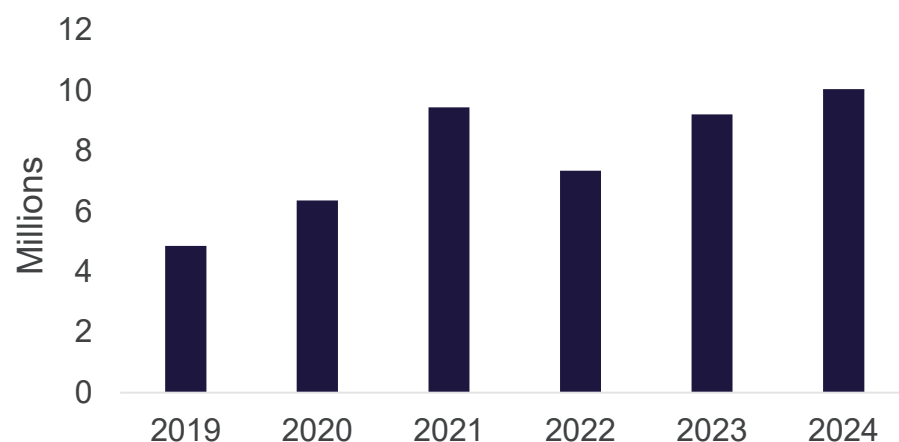
## SPACE DEMAND / DELIVERIES



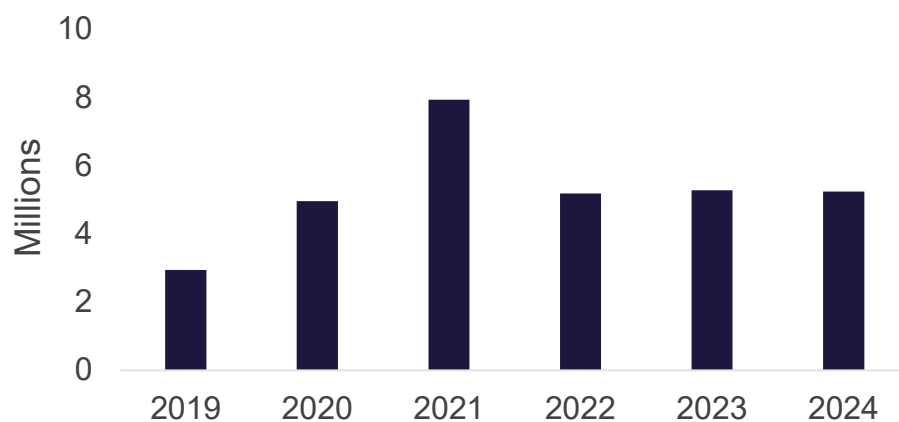
## OVERALL VACANCY & ASKING RENT



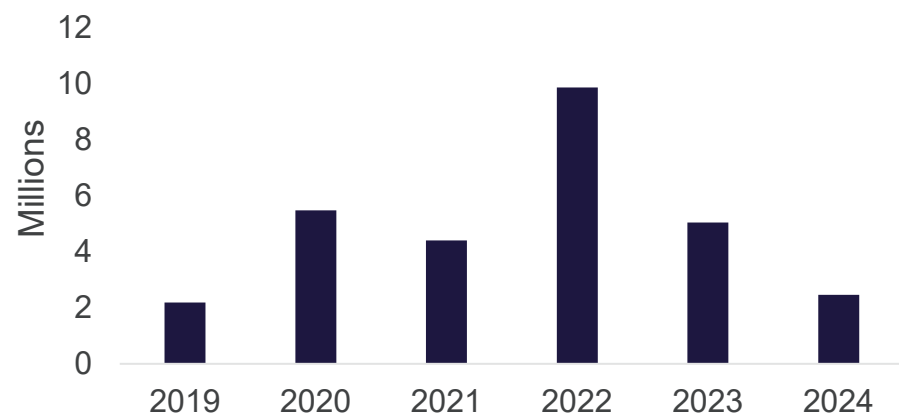
YTD LEASING ACTIVITY – BULK (SF)



YTD NET ABSORPTION – BULK (SF)



YTD CONSTRUCTION COMPLETIONS - BULK



BULK OVERVIEW

Leasing activity in the Louisville bulk distribution market surged compared to third quarter 2024 results. Leasing activity nearly doubled last quarter for a total of 2.2 msf compared to the third quarter’s total of 1 msf. The 2024 YTD total ended at 6.3 msf compared to the 2023 YTD activity of 9.2 msf. Bulk absorption ended the quarter at 1.7 msf while the vacancy rate fell 120 bps from 6.5% to 5.3%. Canadian Solar’s Shelby County lease contributed the most to the activity. Rental rates continued to increase with an annual change of 8.7% from \$5.54 per square foot (psf) in 2023 to \$6.16 psf at the close of the year, an 11.0% YOY increase.

Currently, there is 3.3 msf of bulk buildings under construction with over 67% being speculative. The Southern Indiana submarket leads the way with 2.1 msf. There is 8.8 msf of planned construction with over 78% of it speculative. Much of the planned developments are concentrated in Bullitt County (2.9 msf) and Southern Indiana (2.3 msf). However, the West / Southwest submarket also boasts 1.6 msf of potential new construction – which would add 11% to its inventory.

LOUISVILLE: A HEALTHY INDUSTRIAL MARKET

Despite national economic challenges, such as high construction costs, Louisville continues to show evidence of having a healthy industrial market. Over the last five years, Louisville’s vacancy rate has remained at least 30 basis points below neighboring markets such as Indianapolis, Cincinnati, and Columbus. With continued interest in the area and limited inventory, expect increases in asking rates as well as a shift in top contributing submarkets within 2025 and 2026.

Louisville’s inventory has seen respectable growth from 172.3 msf of total inventory in 2020 to 203 msf at the close of 2024, a 15% increase. Of that growth, 73% was bulk inventory. Bulk inventory has grown from 69.4 msf in 2020 to 91.7 msf, a 24.4% increase. Louisville inventory has grown at a faster pace in that time than the peer cities of Cincinnati (7.9%), Nashville (13.9%), and St. Louis (4.3%). With 4.8 msf of product expected to be completed by end of year 2025, Louisville’s bulk deliveries are expected to double the 2.4 msf delivered in 2024, a 5.0% rise in bulk inventory and a 2.3% YOY growth of its total inventory.

OUTLOOK

- Vacancy rates are expected to decrease while net absorption should increase during the year due to increasing demand and limited new construction.
- Continued uncertainty within debt markets and high construction costs will limit speculative construction.
- New bulk inventory is expected to double in 2025 compared to 2024.

MARKET STATISTICS - OVERALL

| SUBMARKET                | INVENTORY (SF)     | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | YTD CNSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT (MF) | OVERALL WEIGHTED AVG NET RENT (OS) | OVERALL WEIGHTED AVG NET RENT (W/D) |
|--------------------------|--------------------|------------------------------|----------------------|---------------------------------|---------------------------|------------------|----------------------------|------------------------------------|------------------------------------|-------------------------------------|
| BULLITT COUNTY           | 25,467,701         | 449,840                      | 7.0%                 | 691,267                         | 1,432,591                 | 840,064          | 426,300                    | \$11.73                            | N/A                                | \$6.09                              |
| CENTRAL                  | 21,213,420         | 0                            | 3.7%                 | -82,335                         | 408,811                   | 27,526           | 0                          | \$4.24                             | \$7.94                             | \$7.34                              |
| Downtown                 | 10,015,531         | 0                            | 5.8%                 | 30,394                          | 322,509                   | 0                | 0                          | \$3.89                             | \$5.35                             | N/A                                 |
| I-64                     | 1,860,523          | 0                            | 2.5%                 | -23,719                         | 32,262                    | 0                | 0                          | N/A                                | \$13.00                            | \$7.50                              |
| I-65                     | 9,337,366          | 0                            | 1.7%                 | -89,010                         | 54,040                    | 27,526           | 0                          | \$5.39                             | N/A                                | \$7.00                              |
| EAST                     | 28,481,265         | 64,072                       | 0.6%                 | 534,804                         | 729,570                   | 88,000           | 532,000                    | \$4.92                             | \$11.47                            | \$6.04                              |
| Jeffersontown            | 14,460,192         | 64,072                       | 0.6%                 | 531,711                         | 581,110                   | 88,000           | 474,000                    | \$6.50                             | \$10.43                            | \$6.21                              |
| Middletown / Eastpoint   | 3,978,576          | 0                            | 0.6%                 | 70,033                          | 148,460                   | 0                | 58,000                     | N/A                                | \$12.55                            | N/A                                 |
| Westport Road            | 10,042,497         | 0                            | 0.7%                 | -66,940                         | 0                         | 0                | 0                          | N/A                                | \$7.98                             | \$8.00                              |
| SOUTH                    | 60,890,537         | 0                            | 2.9%                 | -183,172                        | 624,793                   | 41,200           | 175,000                    | \$6.37                             | \$7.98                             | \$5.75                              |
| Airport                  | 33,652,739         | 0                            | 3.8%                 | -876,219                        | 305,379                   | 0                | 175,000                    | \$6.37                             | N/A                                | \$5.42                              |
| Bishop Lane              | 9,531,673          | 0                            | 0.9%                 | 5,059                           | 197,939                   | 41,200           | 0                          | N/A                                | \$7.98                             | N/A                                 |
| Fern Valley              | 17,706,125         | 0                            | 2.3%                 | 687,988                         | 121,475                   | 0                | 0                          | N/A                                | N/A                                | \$6.46                              |
| WEST / SOUTHWEST         | 24,445,116         | 0                            | 4.9%                 | 354,413                         | 1,942,851                 | 0                | 414,000                    | \$12.00                            | \$10.77                            | \$6.00                              |
| Iroquois                 | 248,024            | 0                            | 0.0%                 | 0                               | 0                         | 0                | 0                          | N/A                                | N/A                                | N/A                                 |
| Riverport                | 20,145,549         | 0                            | 5.7%                 | 267,790                         | 1,857,821                 | 0                | 414,000                    | \$12.00                            | \$10.77                            | \$5.99                              |
| Westend                  | 4,051,543          | 0                            | 0.7%                 | 86,623                          | 85,030                    | 0                | 0                          | N/A                                | N/A                                | \$6.21                              |
| SHELBY COUNTY            | 10,023,249         | 955,200                      | 5.5%                 | 1,572,548                       | 1,163,331                 | 380,000          | 444,308                    | \$5.00                             | \$13.00                            | \$6.36                              |
| SOUTHERN INDIANA         | 32,542,338         | 428,310                      | 3.3%                 | 287,053                         | 1,495,220                 | 2,669,507        | 580,000                    | \$4.42                             | \$18.00                            | \$6.13                              |
| Floyd County             | 5,500,141          | 0                            | 1.7%                 | -96,240                         | 0                         | 0                | 0                          | N/A                                | N/A                                | \$6.95                              |
| Clark County             | 27,042,197         | 428,310                      | 3.6%                 | 383,293                         | 1,495,220                 | 2,669,507        | 580,000                    | \$4.42                             | \$18.00                            | \$5.98                              |
| <b>LOUISVILLE TOTALS</b> | <b>203,063,626</b> | <b>1,897,422</b>             | <b>3.6%</b>          | <b>3,174,578</b>                | <b>7,797,167</b>          | <b>4,046,297</b> | <b>2,571,608</b>           | <b>\$4.92</b>                      | <b>\$11.47</b>                     | <b>\$6.04</b>                       |

MARKET STATISTICS - BULK

| SUBMARKET                | INVENTORY (SF)    | YTD INVESTMENT SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | YTD CNSTR COMPLETIONS (SF) | *OVERALL WEIGHTED AVG. NET RENT Q3 2024 | *OVERALL WEIGHTED AVG. NET RENT Q4 2024 |
|--------------------------|-------------------|------------------------------------|----------------------|---------------------------------|---------------------------|------------------|----------------------------|---|---|
| Bullitt County           | 23,133,580        | 169,000                            | 7.7%                 | 691,267                         | 1,432,591                 | 840,064          | 426,300                    | \$6.18                                  | \$6.15                                  |
| Central                  | 1,211,595         | -                                  | 0.0%                 | -                               | 298,000                   | 0                | 0                          | -                                       | -                                       |
| East                     | 6,463,916         | -                                  | 0.0%                 | 523,735                         | 220,000                   | 0                | 523,735                    | -                                       | -                                       |
| South                    | 25,528,224        | 324,416                            | 4.7%                 | 39,500                          | 181,777                   | 0                | 175,000                    | \$6.11                                  | \$6.02                                  |
| West / Southwest         | 13,931,692        | 1,267,613                          | 7.5%                 | 292,790                         | 1,837,640                 | 0                | 350,000                    | \$5.86                                  | \$5.83                                  |
| Shelby County            | 3,044,873         | 1,530,431                          | 11.9%                | 1,640,931                       | 1,162,831                 | 380,000          | 444,308                    | \$6.25                                  | \$6.88                                  |
| Southern Indiana         | 18,468,827        | 2,590,972                          | 2.4%                 | 722,595                         | 1,357,575                 | 2,138,105        | 550,000                    | \$6.17                                  | \$5.95                                  |
| <b>LOUISVILLE TOTALS</b> | <b>91,782,707</b> | <b>5,882,432</b>                   | <b>5.3%</b>          | <b>3,910,818</b>                | <b>6,490,414</b>          | <b>3,358,169</b> | <b>2,469,343</b>           | <b>\$6.11</b>                           | <b>\$6.16</b>                           |

\*Rental rates reflect weighted net asking \$psf/year

KEY TRANSACTIONS Q3 2024

| PROPERTY               | SUBMARKET        | TENANT                              | SF        | TYPE            |
|------------------------|------------------|-------------------------------------|-----------|-----------------|
| 139 Logistics Drive    | Shelby County    | Canadian Solar                      | 1,052,831 | New Lease       |
| 251 Buffalo Run Road   | Bullitt County   | Dorman Products                     | 436,716   | New Lease       |
| 301 Logistics Avenue   | Southern Indiana | ESI, Inc.                           | 426,450   | Investment Sale |
| 1751 Penny Martin Lane | Southern Indiana | The United States of America Census | 343,813   | New Lease       |
| 101 River Ridge Circle | Southern Indiana | UFP Packaging                       | 160,000   | Sublease        |
| 945-1001 Cheri Way     | South            | Vertex Aerospace, LLC               | 128,925   | New Lease       |

\*Renewals not included in leasing statistics

INDUSTRIAL SUBMARKETS



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