Louisville retail posts mixed bag of negative net absorption and new leasing activity

▲ 6.1%
Availability Rate

▼ (158,288) SF
Net Absorption

▲ $10.19 PSF
Big Box Asking Lease Rate

▲ $18.84 PSF
Small Shop Asking Lease Rate

▲ $14.40 PSF
Overall Market Asking Lease Rate

Note: Arrows indicate change from previous period.

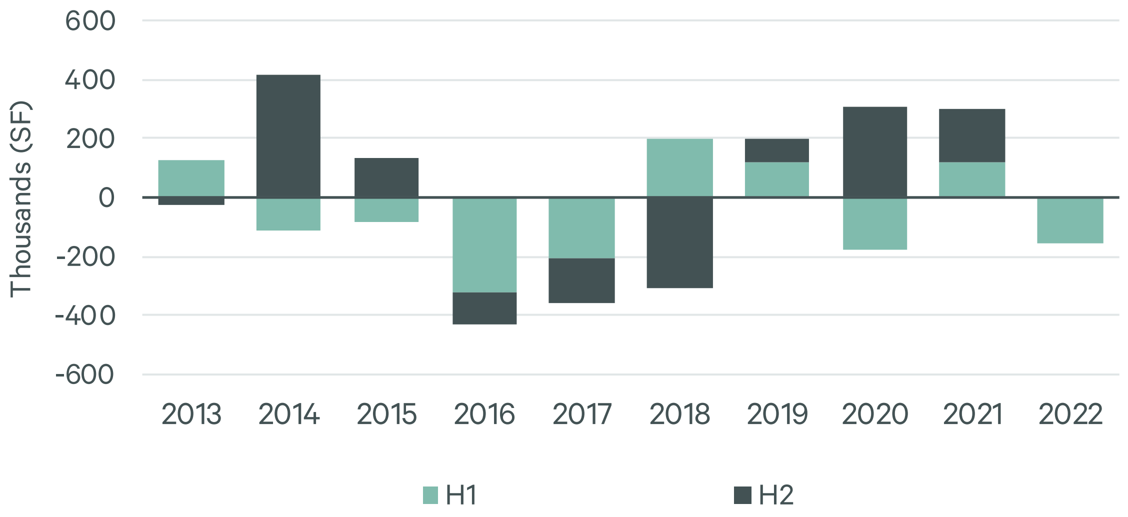
Market Overview

The first six months of 2022 for the Louisville retail market were a mixed bag of new leasing activity and negative net absorption. In April, Walmart closed a 240,000-sq.-ft. supercenter in the Southwest submarket which contributed greatly to the marketwide total of 158,288 sq. ft. of negative net absorption posted during the period. The marketwide availability rate increased 50 basis points (bps) to 6.1%. However, new-to-market retailers continued to open new locations and expand on recent successes. The average asking lease rate for small shop space increased $0.53 per sq. ft. to $18.84 per sq. ft., and the rate for big box space added $0.23 per sq. ft. to $10.19 per sq. ft. The overall market blended rate added $0.65 per sq. ft. to end the half at $14.40 per sq. ft. It is worth noting that the average asking rate for big box space may not necessarily reflect the market rate due to low availability in prime retail centers in the market..

Activity

During the first half of the year, the South Central submarket posted changes to big box spaces with Crunch Fitness leasing 24,500 sq. ft. in the Tymberwood Shopping Center for their third area location and a new vacancy by Mr. Gatti's Pizza in the Preston Plaza shopping center of

FIGURE 1: Annual Net Absorption History



Source: CBRE Research, H1 2022

of nearly 27,000 sq. ft., though the restaurant plans to relocate and downsize to a former Golden Corral nearby. In the Southern Indiana submarket, Furniture Fair leased the former Sears in the Green Tree Mall with over 80,000 sq. ft. This will be the company's second Louisville-area location. Also in the Southern Indiana submarket, hobby retailer JOANN leased the former Bed Bath and Beyond space at Waterford Park North with 25,000 sq. ft. Additionally, as mentioned, Walmart vacated over 240,000 sq. ft. in the Southwest submarket during the half.

New-to-market retailers opening during the first half of 2022 included Tropical Smoothie Café, Circa Lighting, Clean Eatz, and Freddy's Frozen Custard & Steakburgers, all in the Northeast submarket, and Big Bad Breakfast in the Downtown/Central submarket. In addition, Scooter's Coffee opened three new locations and announced plans for a fourth location on Preston Highway in the South Central submarket.

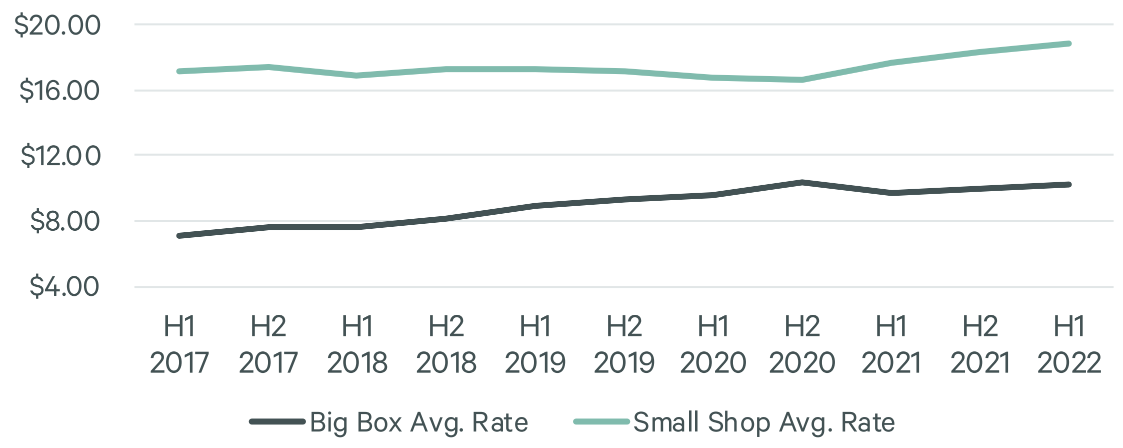
Noteworthy trades during the first half of the year included the sale of the nearly 100,000-sq.-ft. Blankenbaker Plaza in the Northeast submarket for just over $14 million to The Necessity Retail REIT as part of larger portfolio sale from CIM Real Estate Finance Trust, Inc. in March. In addition, the 103,000-sq.-ft. Preston Plaza shopping center in the South Central submarket sold to Form G for $4.7 million in April, and the 94,000-sq.-ft. Landis Lakes Townecenter, a mixed-use office and retail center in the Northeast submarket, was purchased by Lexington-based The Webb Companies for $19.5 million in May.

Construction

New-to-market supermarket chain Publix officially broke ground on their first Louisville store in the Northeast submarket at 2500 Terra Crossing Boulevard in June. The store is expected to be completed in the fourth quarter of 2023 and a second location is planned in the Northeast submarket on the corner of Ballardsville Road and Brownsboro Road.

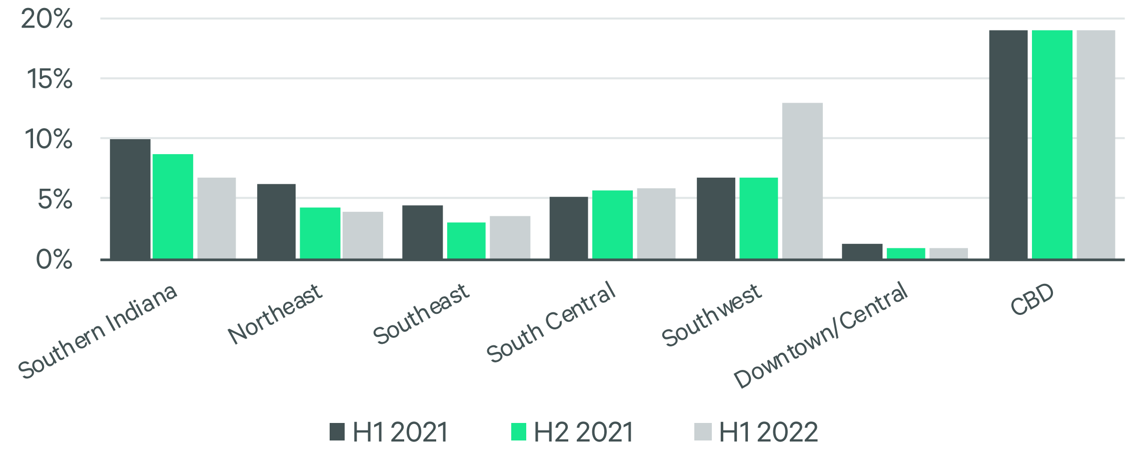
Construction continued during the half at the Topgolf at Oxmoor Center in the Northeast submarket and at the Cedar Creek Crossings development in the South Central submarket. Recently announced tenants for that development include Crumbl Cookies, First Watch, Sleep Number, Buff City Soap, and Chipotle. Additionally, construction got underway on a

FIGURE 2: Average Asking Lease Rate History by Type



Source: CBRE Research, H1 2022

FIGURE 3: Submarket Availability Rate History



Source: CBRE Research, H1 2022

new-to-market fine dining steakhouse, The Capital Grille, in front of Oxmoor Mall in the Northeast submarket and at the Academy Sports + Outdoors at the Jeffersonville Town Center development in the Southern Indiana submarket. Both projects are expected to finish by the end of the year.

Market Outlook

Though supply chain and labor disruptions were previously predicted to ease during the latter part of 2022, retail fundamentals in Louisville and across the U.S. continue to feel pressure from these disruptions, as well as from rising inflation. Economic conditions are rapidly changing, and persistently high inflation is affecting consumer sentiment, especially from higher food and energy prices. Retail development continues to face heightened construction costs and competition for resources from industrial and multifamily sector development. We do not, however, anticipate a slowdown in new-to-market retail activity or expansions by recent new chains, especially back-filling available spaces in prime retail centers and trade areas.

Figure 4: New-to-Market Retailers Opened in H1 2022

Retailer	Submarket	Business Sector
Freddy's Frozen Custard & Steakburgers	Northeast	Restaurant
Clean Eatz	Northeast	Restaurant
Circa Lighting	Northeast	Home Furnishings
Big Bad Breakfast	Downtown/Central	Restaurant
Tropical Smoothie Café	Northeast	Restaurant

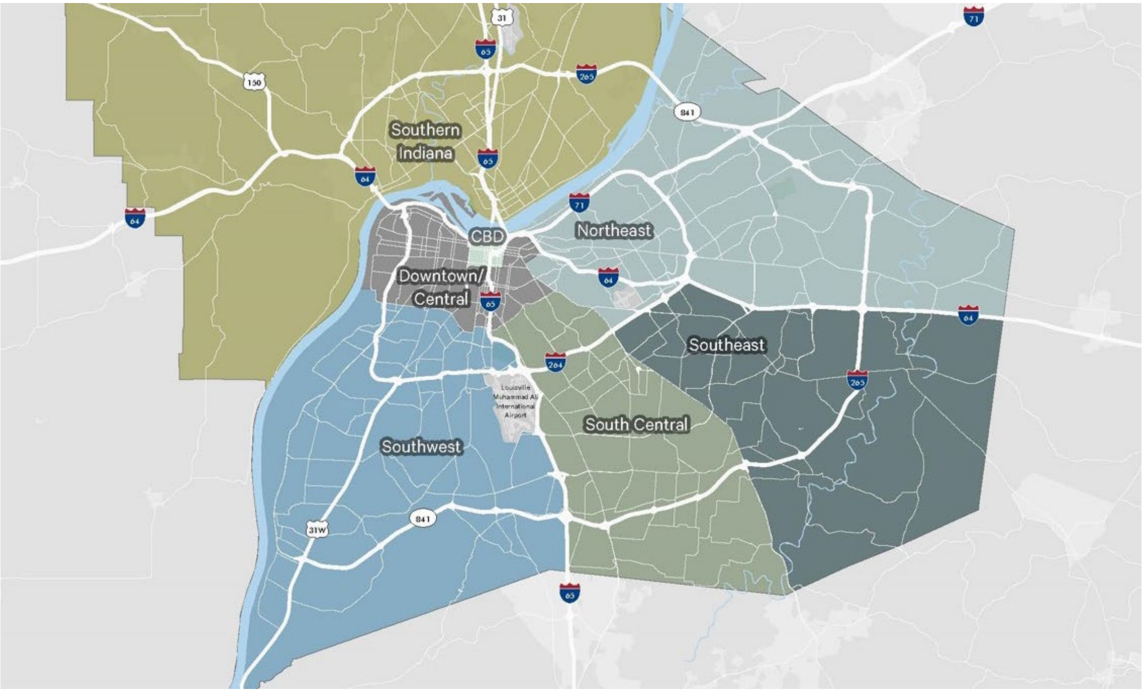
Source: CBRE Research, H1 2022

Figure 5: Market Statistics for Centers 40,000 Sq. ft. and greater (Small Shop: 1-9,999 Sq. Ft.; Big Box: 10,000 Sq. Ft. and greater)

Submarket	Market Rentable Area (SF)	Market Availability Rate (%)	Net Absorption (SF)	Avg. Asking Lease Rate – Big Box ($/SF/Yr)	Avg. Asking Lease Rate – Small Shop ($/SF/Yr)	Submarket Avg. Asking Lease Rate ($/SF/Yr)
Central Business District	260,000	19.0	0	14.00	32.00	25.97
Downtown/ Central	481,123	0.9	0	NA	10.00	10.00
Northeast	9,526,740	3.9	25,597	14.53	22.81	19.43
South Central	5,634,599	5.9	(23,647)	10.87	14.47	12.16
Southeast	3,461,319	3.6	(24,845)	10.00	19.80	16.56
Southwest	3,899,221	13.0	(246,163)	7.16	14.23	11.26
Southern Indiana	5,512,312	6.7	110,770	8.68	18.32	11.69
TOTALS	**28,775,314**	**6.1**	**(158,288)**	**10.19**	**18.84**	**14.40**

Source: CBRE Research, H1 2022

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: All lease transactions completed within a specified time period. Excludes user and 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 retail centers 40,000 sq. ft. and greater in size in Jefferson county and portions of Clark and Floyd counties in Indiana. Buildings which have begun construction are evidenced by site excavation or foundation work.

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