

# Vacancy rate stable at 3.8% for all of 2025

▶ 3.8%

Vacancy Rate

▲ 2.1M

SF Q4 Net Absorption

▲ 2.3M

SF Construction Delivered

▼ 7.4M

SF Under Construction

▲ \$6.66

NNN/YR Direct Lease Rate

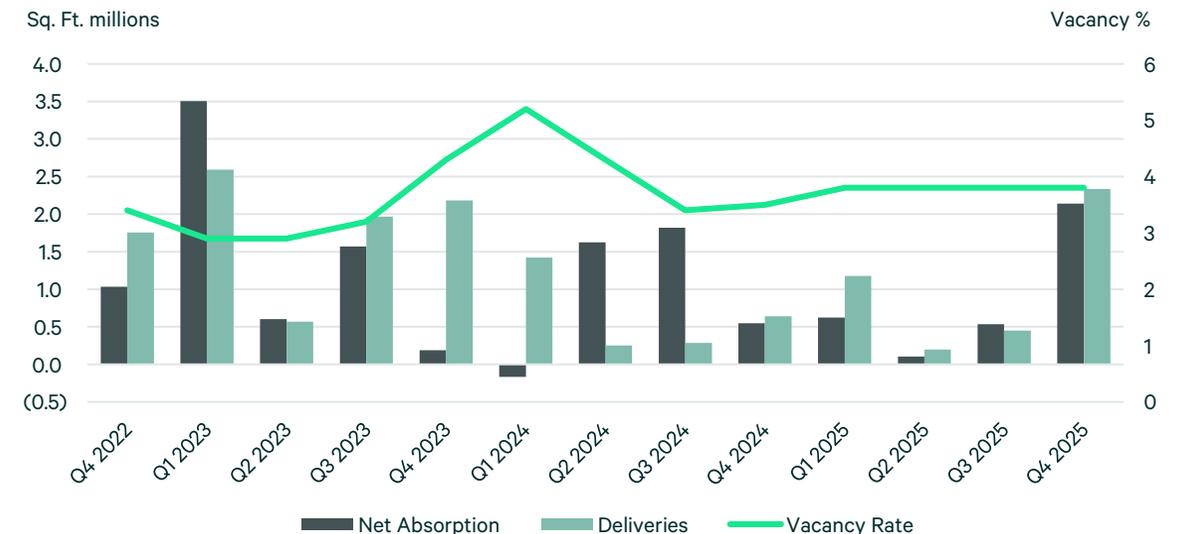
Note: Arrows indicate change from previous quarter.

## SUMMARY

The Louisville industrial market ended the fourth quarter with over 2.1 million sq. ft. of positive net absorption, which brought the annual total to 3,402,169 sq. ft. The marketwide vacancy rate remained at 3.8%, the same vacancy that had been recorded for each quarter of the year thus far. This is an unusual and unprecedented trend. The marketwide availability rate increased 20 basis points (bps) to 6.3%. The marketwide average asking lease rate increased \$0.26 per sq. ft. to \$6.66 per sq. ft., which is 12.2% higher than one year ago. In addition, this rate is 35% higher than three years ago, and 66% higher than five years ago. The amount of sublease space on the market fell by 35% in the fourth quarter and represents only 9.2% of the total available space on the market. Much of this space remains occupied until a suitable subtenant is secured.

The total under construction at the end of the year was 7,355,530 sq. ft. with seven buildings completed and several buildings and an expansion commencing construction during the quarter. Six new speculative distribution warehouses were completed along with a build-to-suit manufacturing project which added 2,333,087 sq. ft. to the market. Two speculative projects, one build-to-suit project and one build-to-suit expansion commenced construction in the fourth quarter. Build-to-suit projects totaling 2.26 million sq. ft. currently account for 31% of the total under construction and four speculative buildings under construction that each are over 500,000 sq. ft. account for 34% of the total under construction.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

## Availability & Vacancy

The marketwide availability rate increased 20 bps to 6.3% in the fourth quarter largely due to the addition of six new speculative warehouses totaling 1,953,087 sq. ft. The direct availability rate was 5.7% and the sublease availability rate stood at 0.6%. Available sublease space has decreased by 782,132 sq. ft. since the second quarter. As stated above, the marketwide vacancy rate was 3.8% for the entire year, a trend that had not been previously recorded in the market. The Southside submarket posted the largest quarterly vacancy change with a 190 bps decline to 2.6%. Many of the spaces currently marked as available are in renewal discussions with in-place tenants.

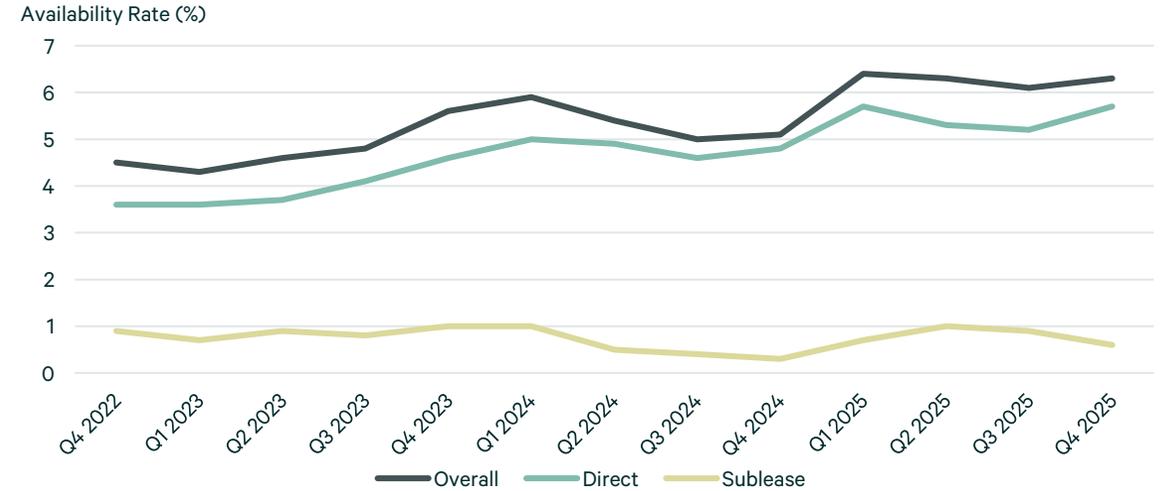
## Asking Rent

The average asking lease rate increased by \$0.26 per sq. ft. in the fourth quarter to arrive at \$6.66 per sq. ft., a 4.2% increase over the third quarter and another record high rate. Average asking lease rates have risen by 12.2% year-over-year and 35.1% over the past three years. The Riverport submarket recorded a 23% quarterly asking lease rate increase over the third quarter to \$6.76 per sq. ft. In addition, three submarkets are tied with a 70% increase in the asking lease rate over the past five years: Bullitt County, Riverport, and Southern Indiana.

## Net Absorption

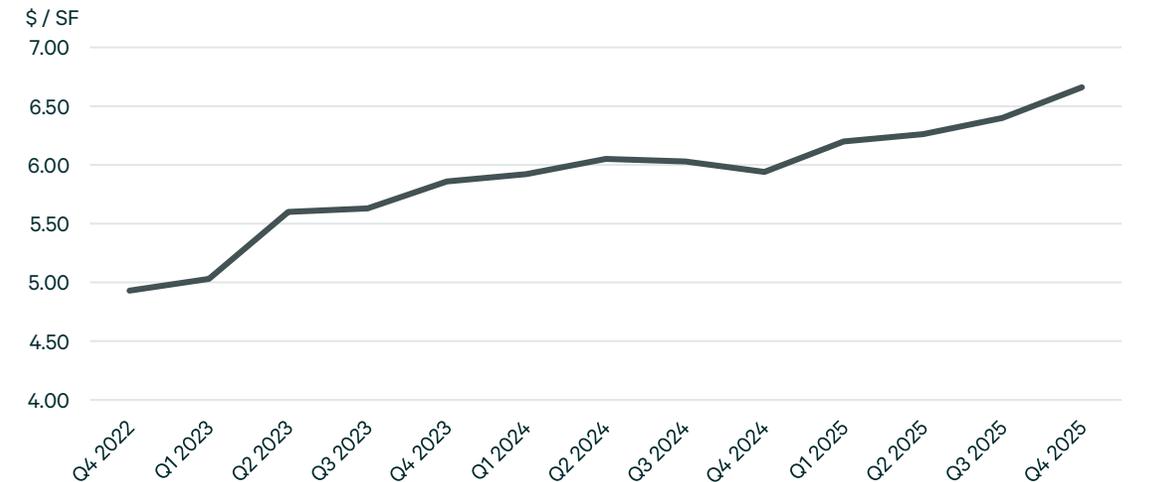
The market recorded 2,141,297 sq. ft. of positive net absorption in the fourth quarter, which brought the annual total to 3,402,169 sq. ft. The largest new lease was 406,640 sq. ft. by Shipmonk in the Southside submarket. Additional new activity contributing to the net absorption total was a 350,000 sq. ft. lease by a confidential tenant in the Southside submarket, a 166,500 sq. ft. lease by Randon, also in the Southside submarket, and a 380,000 sq. ft. build-to-suit for KCC Manufacturing in the Shelby County submarket that was completed and occupied by the owner during the quarter.

FIGURE 2: Availability Rates



Source: CBRE Research, Q4 2025

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q4 2025

## Construction Activity

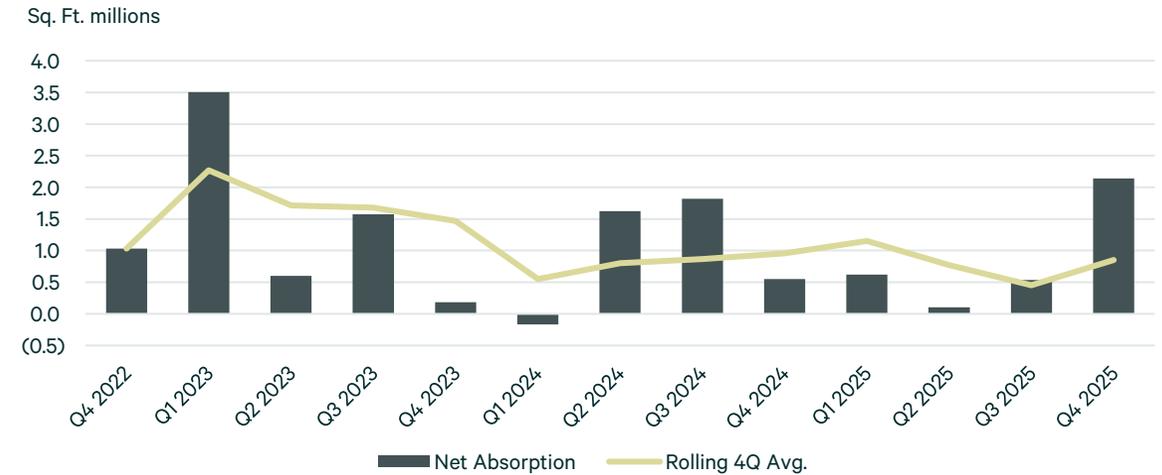
Six new speculative buildings totaling 2,333,087 sq. ft. were completed during the fourth quarter. In the Bullitt County submarket, Bullitt 3 Logistics Center, a 376,525-sq.-ft. warehouse, was completed by developer Core5. Four speculative projects were completed in the Southern Indiana submarket during the quarter: 1140 Patrol Road with 115,572 sq. ft., Platform Park @ I-65 – Building 1 with 336,000 sq. ft. by developer Platform Real Estate Group, as well as Shadow Lake – Building A with 498,610 sq. ft. and Shadow Lake – Building B with 283,660 sq. ft. by developer U.S. Capital Development. In addition, KCC Manufacturing completed a 380,000 sq. ft. build-to-suit project in the Shelby County submarket.

Two speculative projects, one build-to-suit project, and an expansion project commenced construction in four submarkets during the fourth quarter. In the Bullitt County submarket, LDG Development commenced construction on a 495,805-sq.-ft. warehouse in the Park South development. Manufacturer ISCO began construction on a 110,000-sq.-ft. warehouse in the Riverport submarket, and Process Machinery commenced construction on a 31,000-sq.-ft. expansion at their facility in the Shelby County submarket. Additionally, Capstone Realty began construction on Commerce Crossings Ten, a 450,320-sq.-ft. warehouse in the Commerce Crossings development in the Southside submarket.

Speculative projects currently under construction that are anticipated to complete in the first quarter of 2026 include the two projects in the Bullitt County submarket – Bourbon Logistics Center 7 with 840,064 sq. ft. by developer Core5 and Velocity65 Trade Center – Building 5 with 235,830 sq. ft. by developer Browning, as well as two warehouses in the Simpsonville 64 Logistics Park in the Shelby County submarket by Hunt Midwest totaling 775,840 sq. ft. In addition, a warehouse with 119,850 sq. ft. by developer Duane Realty Group in the Southside submarket should finish by the end of next quarter.

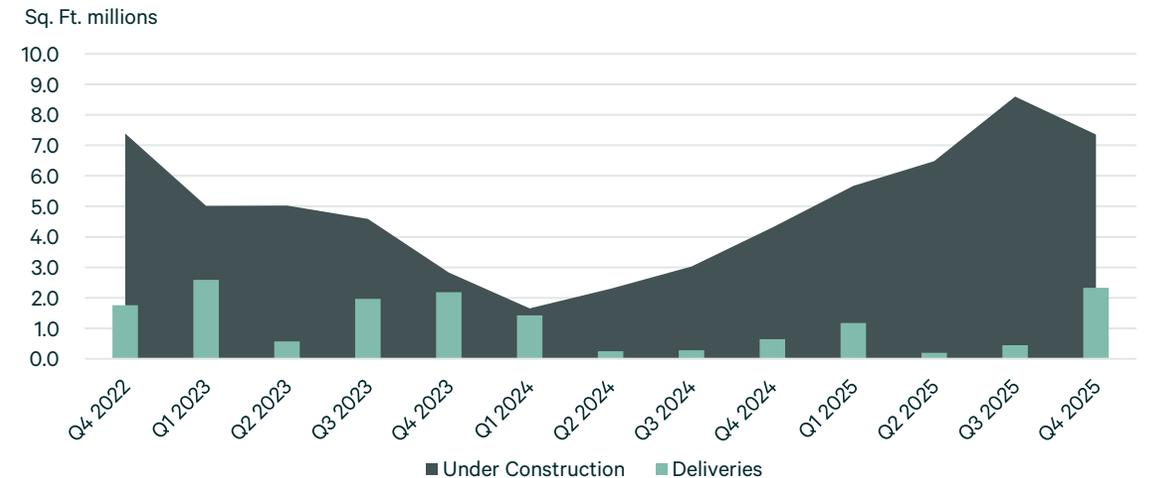
The current amount of speculative projects under construction totals 5,090,057 sq. ft. with four buildings under construction that are over 500,000 sq. ft. each: Bourbon Logistics Center 7 with 840,064 sq. ft., Park Loop @ I-65 with 500,240 sq. ft., Simpsonville 64 Logistics Park – Building 2 with 505,440 sq. ft., and Gateway 670 with 670,320 sq. ft. Totalling over 2.5 million sq. ft., these four projects make up 34% of the total under construction in the market.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

FIGURE 5: Construction Activity



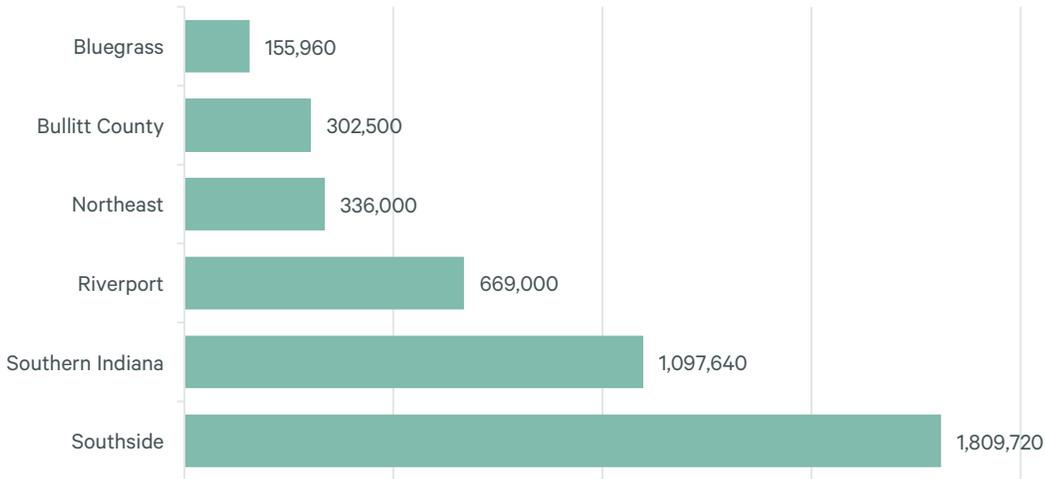
Source: CBRE Research, Q4 2025

## Leasing & Sale Activity

A flurry of investment sale activity took place during the fourth quarter with twelve properties totaling over 4.1 million sq. ft. trading hands. Among these, Pinchal sold two properties totaling 902,640 sq. ft. in the River Ridge Commerce Center in the Southern Indiana submarket to NorthPoint Development for \$78 million, EQT Exeter sold three properties across the market totaling 862,000 sq. ft. to Ares for \$70.3 million, and MDH Partners purchased a 235,013-sq.-ft. warehouse in the Bullitt County submarket from LBA Realty for \$23 million. In addition, Core5 Industrial Partners sold the 436,716-sq.-ft. Bullitt 2 Logistics Center in Bullitt County to LaSalle for \$50.1 million.

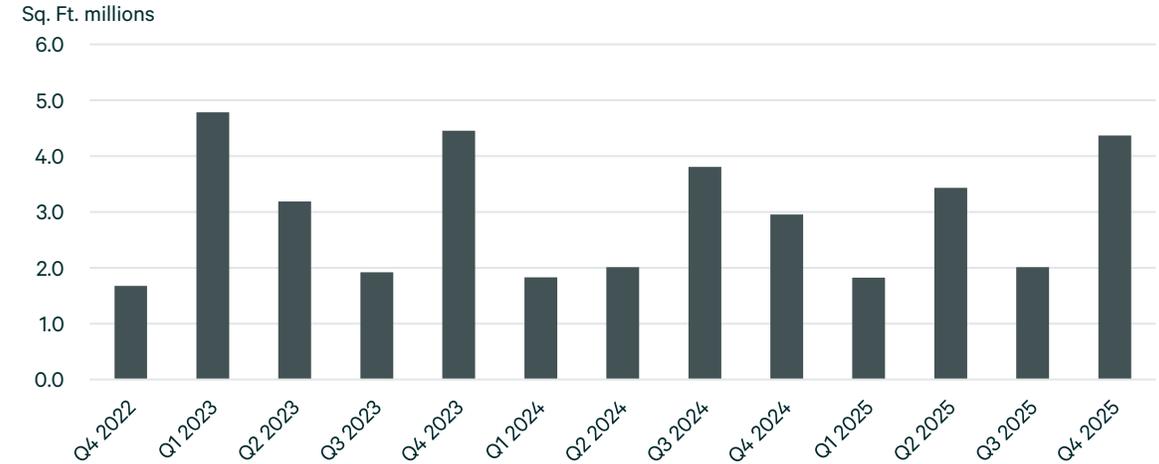
Leasing activity totaled 4,678,222 sq. ft. in the fourth quarter, a 113% increase over the third quarter. The Southside submarket garnered 42% of the activity during the quarter with a 406,640-sq.-ft. lease by Shipmonk, a 350,000-sq.-ft. lease by a confidential tenant, and a 166,500-sq.-ft. lease by Randon, among others. In addition, the Southern Indiana submarket recorded 23% of the quarterly leasing activity, including several subleases and a 114,200-sq.-ft. lease by Hoffman Transportation.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Shipmonk	406,640	New Lease	7865 National Tpke	Southside
Confidential	350,000	New Lease	6675 Randy Coe Ln	Southside
Confidential	300,000	New Sublease	100-200 Logistics Ave	Southern Indiana
Randon Auto Parts North America	166,500	New Lease	6001 National Tpke	Southside
Confidential	124,800	New Lease	350 Salem Rd	Southern Indiana

Source: CBRE Research, Q4 2025

## Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	15,559,561	4.2	6.0	4.7	1.2	7.23	(48,700)	(44,135)	0	212,360
100,000-199,999 sq. ft.	33,629,645	3.4	4.8	4.2	0.6	6.24	233,958	359,588	115,572	229,850
200,000-299,999 sq. ft.	29,350,286	7.4	9.8	8.6	1.2	6.66	420,274	229,824	283,660	983,614
300,000-499,999 sq. ft.	40,965,763	5.1	8.3	7.7	0.6	6.75	730,000	1,412,179	1,933,855	2,713,642
500,000-749,999 sq. ft.	28,792,328	2.4	4.9	4.7	0.2	6.67	805,765	1,444,713	0	2,376,000
750,000 sq. ft.	34,346,793	0.7	3.5	3.5	0.0	6.47	0	0	0	840,064
<b>Total</b>	<b>182,644,376</b>	<b>3.8</b>	<b>6.3</b>	<b>5.7</b>	<b>0.6</b>	<b>6.66</b>	<b>2,141,297</b>	<b>3,402,169</b>	<b>2,333,087</b>	<b>7,355,530</b>

## Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	126,455,137	5.1	8.4	7.7	0.8	6.82	1,721,297	2,725,142	1,953,087	6,132,870
Manufacturing	51,556,287	0.7	1.1	1.0	0.1	4.31	420,000	663,883	380,000	1,163,400
R&D / Flex	1,170,265	9.5	9.5	9.5	0.0	5.48	0	(19,746)	0	0
Other Industrial	3,462,687	1.8	1.8	1.8	0.0	6.95	0	32,890	0	59,260
<b>Total</b>	<b>182,644,376</b>	<b>3.8</b>	<b>6.3</b>	<b>5.7</b>	<b>0.6</b>	<b>6.66</b>	<b>2,141,297</b>	<b>3,402,169</b>	<b>2,333,087</b>	<b>7,355,530</b>

## Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Bluegrass	8,704,304	1.6	2.0	2.0	0.0	7.69	0	(136,450)	0	321,660
Bullitt County	25,165,107	4.4	5.8	4.8	0.9	6.82	0	1,202,625	376,525	2,747,051
Downtown	12,432,726	3.4	3.9	3.4	0.5	3.83	0	(74,427)	0	0
Northeast	11,363,927	1.4	2.1	0.8	1.3	8.11	(71,200)	(98,800)	0	0
Riverport	19,275,501	3.7	7.6	7.5	0.1	6.76	226,152	400,643	342,720	110,000
Shelby County	9,125,614	4.0	4.0	4.0	0.0	6.75	380,000	555,875	380,000	1,109,240
Southern Indiana	35,659,021	7.2	8.8	8.5	0.3	6.88	440,000	873,795	1,233,842	1,714,133
Southside	60,918,176	2.6	6.8	6.0	0.8	6.64	1,166,345	678,908	0	1,353,446
<b>Total</b>	<b>182,644,376</b>	<b>3.8</b>	<b>6.3</b>	<b>5.7</b>	<b>0.6</b>	<b>6.66</b>	<b>2,141,297</b>	<b>3,402,169</b>	<b>2,333,087</b>	<b>7,355,530</b>

## National Economic Overview

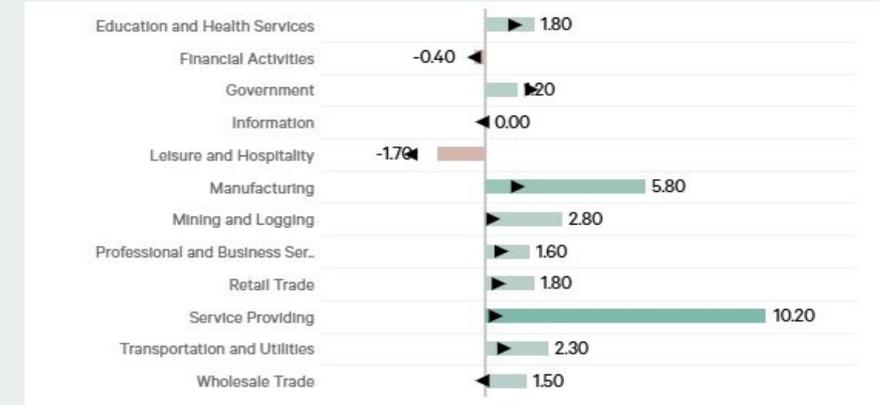
The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

## Louisville, KY Employment Update

- ▶ 4.0%  
Unemployment Rate
- ▶ 0.7M  
Labor Force
- ▲ 144.1k  
Office Using Jobs
- ▲ 253.4k  
Industrial Using Jobs
- ▲ 102.6k  
Retail Using Jobs

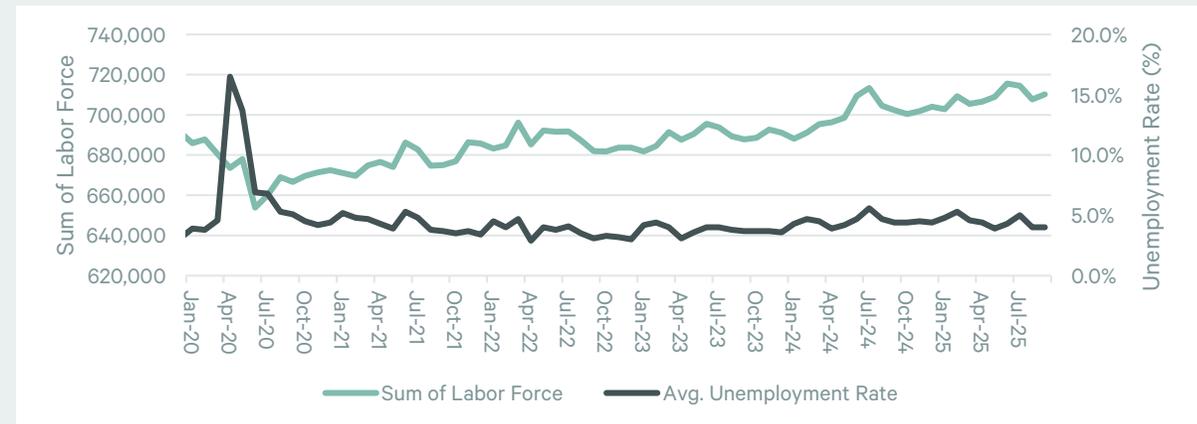
Employment Change by Sector – Yearly + Monthly  
Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS, September 2025

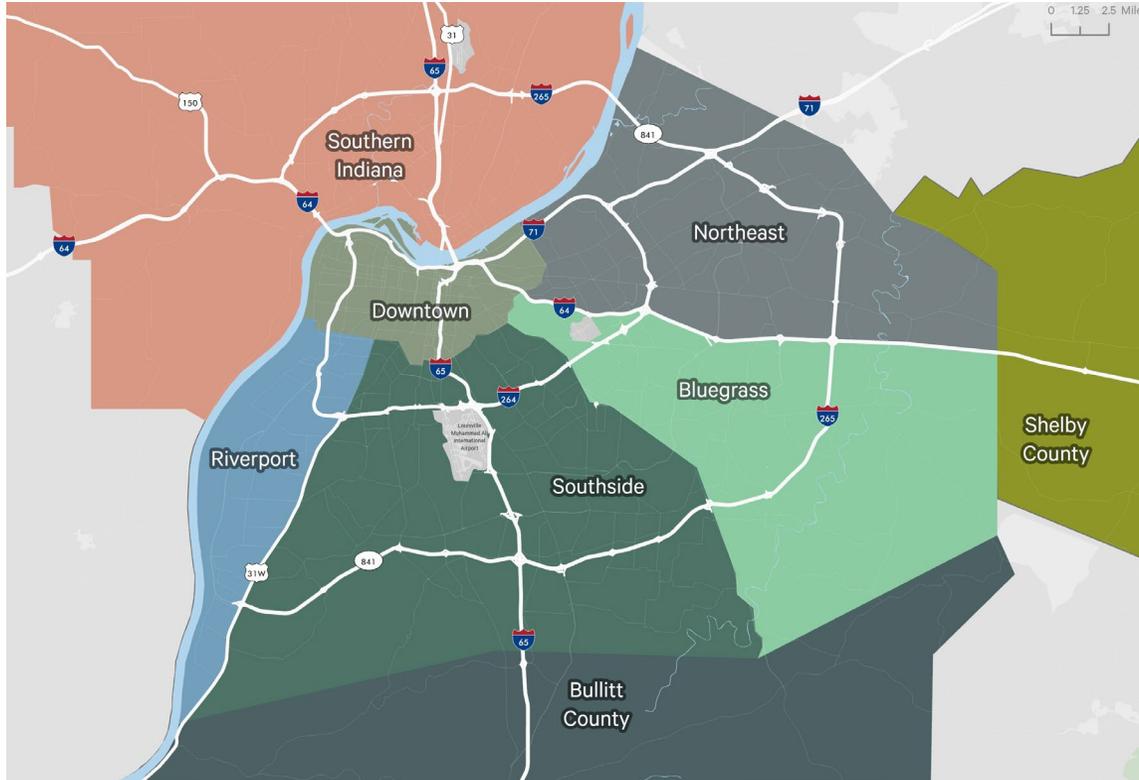
Note: Arrows indicate month-over-month change.

### Unemployment Rate and Labor Force Trends



Source: US BLS, September 2025

## 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, and Shelby county in Kentucky 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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