

# MARKETBEAT RETAIL SNAPSHOT



## LOUISVILLE, KENTUCKY

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### RETAIL MARKET OVERVIEW

The Louisville retail market continues to expand in 2014, and this trend is expected to continue for at least the next 12 -18 months. GBT Realty Corporation, a Nashville-based retail developer has begun construction on

Middletown Commons and Jefferson Commons - two new power centers that are due for completion in the fourth quarter 2014.

Middletown Commons is anchored by Academy Sporting Goods, Hobby Lobby, Ross Dress for Less and Liquor Barn. Middletown Commons is located in the northeast quadrant of the city in Middletown on Shelbyville Road at I-265. This center will further establish Middletown as a regional retail corridor that already includes a super Target and super Walmart in this growing submarket. Jefferson Commons is anchored by Academy Sporting Goods, Shoe Carnival, Michael's and H.H. Gregg. These two new centers further solidify Outer Loop as the regional draw for retail activity in southern Jefferson County and the three counties located just south of Jefferson County.

Construction was just completed this quarter for the Outlet Shoppes of the Bluegrass located in Shelby County, one county east of Louisville. The Outlet Shoppes of the Bluegrass is the first outlet center development to arrive in the Louisville Metropolitan area for over 15 years. This center is strategically-located between Louisville and Lexington and has multiple national outlet stores for anchors – Saks Fifth Avenue's Off Fifth, Ralph Lauren, Coach, Brooks Brothers, Gucci and Tommy Hilfiger.

Walmart continues to expand their footprint in the Louisville Metropolitan area with new superstores announced for downtown Louisville, Oldham County (northeast of Louisville) and Bullitt County (south of the Jefferson County line). These three superstore locations are scheduled to be delivered in 2015. Walmart's additional superstore presence combined with Kroger's ongoing expansion/conversion of their in-place stores to their hypermarket (90,000 – 115,000 square feet) format, creates a 'battle of the giants' to control the grocery market in Louisville. Kroger and Walmart expansions in Louisville are also complemented by the new addition of a Lucky's Farmer's Market grocery store and rumors of a second Whole Foods Store location arriving in Louisville.

The investment sale market in Louisville remains active with two large shopping center sales completed in the first half of 2014. The 235,892 sf TownFair Shopping Center, anchored by Walmart, was sold to Phillips Edison & Company in March 2014. Phillips Edison followed up this purchase with the acquisition of the Kroger-anchored Central Station Shopping Center in May.

Retail continues to move in a positive direction in Louisville with over 50,000 sf of positive absorption in the first half of the year, a trend likely to continue by virtue of the new developments mentioned above. Current vacancy rates for the retail market in Louisville are stabilized at 9.5% and are expected to remain at this level or lower over the next year, provided the low vacancy rate instills confidence in investors that retail space in Louisville has stabilized and is being absorbed at escalating rental rates. The southwest part of Jefferson County currently has the highest vacancy rate in the retail segment of over 14%, with the lowest vacancy rate to be found in the northeast quadrant at 7.5%.

### ECONOMIC INDICATORS

	2013	2014F	2015F
<b>NATIONAL</b>			
GDP Growth	1.9%	1.7%	3.7%
CPI Growth	1.5%	1.9%	2.2%
Consumer Spending Growth	2.0%	2.4%	3.8%
Retail Sales Growth	4.2%	4.1%	5.8%
<b>REGIONAL</b>			
Household Income	\$48,821	\$50,382	\$52,977
Population Growth	0.8%	0.4%	0.5%
Unemployment	7.7%	7.2%	6.9%

Source: Moody's Analytics

### OVERALL RENTAL VS. VACANCY RATES



Source: Property & Portfolio Research Inc