



	YoY Chg	12-Mo. Forecast
<b>16.3%</b> Vacancy Rate	▲	▲
<b>-115K</b> YTD Net Absorption, SF	▼	▼
<b>\$18.79</b> Asking Rent, PSF	▲	▲

*(Overall, All Property Classes)*

## ECONOMIC OVERVIEW

The U.S. economy performed better than expected in 2023, defying widely-held expectations that a recession was imminent. Real gross domestic product (GDP) increased at an annual rate of 4.9 percent in the third quarter of 2023, an astonishing 18.1% bounce-back since the onset of the COVID-19 pandemic. According to the Atlanta Fed GDPNow forecast, the current estimate of GDP growth for the fourth quarter stands at 2.5%. Meanwhile, non-farm payroll employment increased by 199,000 in November while the U.S. unemployment rate remained unchanged at 3.7%. The labor force participation rate remained unchanged at 62.8%, which is seasonally adjusted.

The US Federal Reserve's latest forecast projects inflation to decrease to 2% without much impact on the job market or economy. However, the trade-off between lowering inflation and impairing growth will be challenging. In 2024, many commercial property owners will roll over billions in maturing loans in a higher interest rate environment than originally established. There is concern that some sponsors could simply walk away from their mortgages and return properties to lenders, which could result in real trouble for the banking sector. According to a recent National Bureau of Economic Research Study, commercial real estate troubles could lead to bankruptcy for 385 small and mid-size banks if interest rates remain at their current levels.

## ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
<b>694.9K</b> Louisville Employment	▲	▲
<b>3.8%</b> Louisville Unemployment Rate	▲	▲
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

## CBD

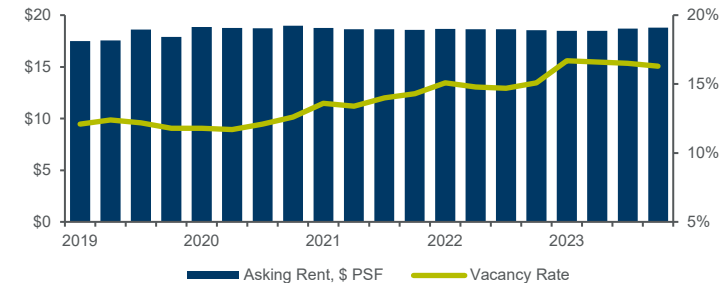
Leasing activity in the Central Business District (CBD) during the fourth quarter totaled 83,050 square feet (sf), bringing the year-to-date (YTD) total to 249,683 sf, up 40% compared to the 2022 year-end total. The majority of new leasing activity occurred as a result of Computershare leasing over 40,000 sf at Kindred Square. Several new leases were also signed at 500W during the quarter totaling over 17,000 sf. Class A leasing activity totaled 24,567 sf for the quarter, down 42% from the 42,632-sf recorded in Q3 2023, and down 45% from this time last year.

The CBD recorded 11,204 sf of overall net absorption for the quarter, ending nine consecutive quarters of negative net absorption. The vast majority of the absorption occurred as a result of Jefferson County Metro Government relocating from 13,000 sf at the Hall of Justice and occupying over 37,000 sf at 500W. Class A absorption totaled negative 36,683 sf for the quarter, largely a result of Computershare vacating over 90,000 sf in a Class A tower and relocating to a little over 40,000 sf at Kindred Square, which led to a total of 47,887 sf of Class B absorption. As a result, the Class A vacancy rate increased 100 basis points (bps) to 27.6%, while the Class B vacancy rate decreased 90 basis points to 16.3%.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



Source: BLS



Several new developments are underway promising to restore the energy and vitality of downtown Louisville. Churchill Downs opened their new casino, Derby City Gaming Downtown, affirming their commitment to growing the Louisville community and the future of downtown. The CEO of Derby City Gaming Downtown is hopeful this new venue will encourage and contribute to the redevelopment of downtown Louisville, creating a more energetic downtown after-work-hours atmosphere. Additionally, local developers Bill Frey and Todd Underhill announced plans for a new hospitality and bourbon experience concept known as Derby City Lofts. The four-story building is located on the historic corner of Fifth and Market streets and will include a ground-level bourbon experience with 20 Airbnb-style residential units on the upper floors.

### Suburban

Suburban leasing activity totaled 101,308 for the fourth quarter, increasing 71% from the third quarter. Once again, the Hurstbourne/Eastpoint submarket recorded the most leasing activity this quarter totaling 40,547 sf, accounting for 40% of all suburban leasing activity for the quarter. The St. Matthews submarket accounted for another 32% of suburban leasing activity for the quarter. Suburban Class A leasing activity totaled 59,537 sf while Class B leasing activity totaled 37,711 sf.

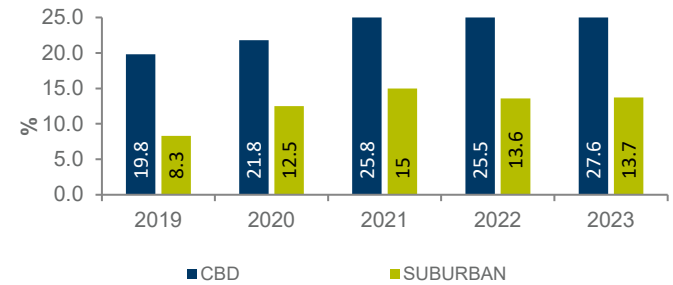
Overall net absorption for the suburban office market totaled 54,752 sf for the quarter. Overall absorption for the Class A suburban market totaled 32,420 sf with the Class B suburban market experiencing 16,932 sf of absorption. The vast majority of the Class A absorption occurred in the St. Matthews submarket as a result of Fresenius occupying over 15,000 sf at The Springs Office Building.

The overall Suburban vacancy rate decreased 30 bps from 12.9% to 12.6% during the fourth quarter. The Class A vacancy rate decreased from 13.9% to 13.7% during the quarter while the Class B vacancy rate decreased from 13.0% to 12.6% during the quarter. The Suburban office market continues to benefit from the “flight to quality” as tenants right-size their operations, seeking greater efficiency and improved building amenities.

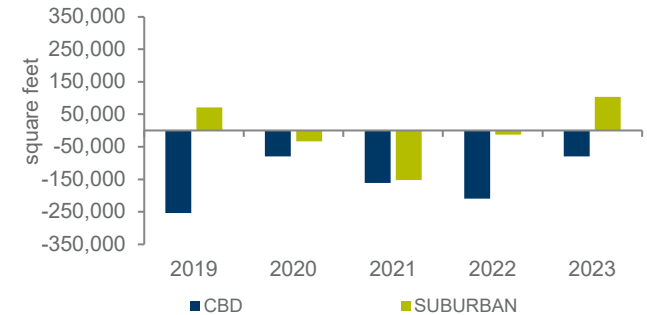
### Outlook

- Expect investment activity to gain momentum in the second half of 2024 and into 2025 as the economy and interest-rate pictures become clearer and a “new normal” is established.
- The office market will continue to see increased scrutiny as debt matures on distressed and poorly occupied properties, which could lead to an increase in office building foreclosures over the next 12 to 18 months
- Expect Louisville’s Suburban market to continue to outperform the CBD as Top Tier office properties are nearly full, providing an attractive location with newer amenities and strong rental rates.

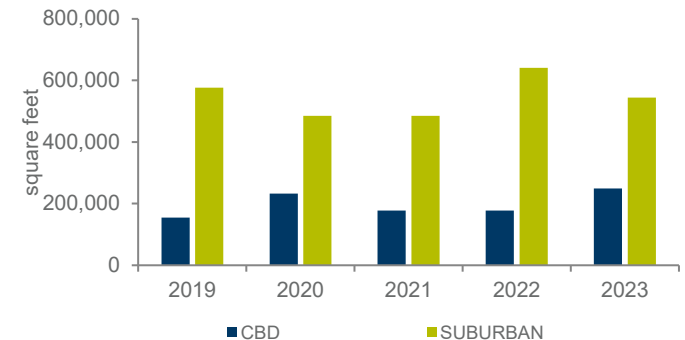
Class A Overall Vacancy Rates – CBD & Suburban



Class A YTD Overall Net Absorption – CBD & Suburban



YTD Leasing Activity – CBD & Suburban





## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	8,954,080	3,930	1,881,733	21.1%	11,204	-260,120	249,683	0	\$17.99	\$19.52
SUBURBAN	11,583,453	99,8821	1,354,552	12.6%	54,752	144,681	544,582	0	\$19.88	\$21.92
Old Louisville	399,940	0	0	0.0%	0	0	5,456	0	N/A	N/A
Hurstbourne / Eastpoint	4,887,723	62,640	609,140	13.7%	5,155	129,207	220,318	0	\$22.23	\$23.04
Plainview / Middletown	1,356,781	37,181	293,359	24.4%	14,267	-1,844	55,557	0	\$17.57	\$21.50
Southeast	1,244,740	0	68,767	5.5%	9,135	56,608	97,265	0	\$19.64	\$19.75
Northeast	896,861	0	41,678	4.7%	3,250	-31,238	35,105	0	\$17.74	\$17.74
St. Matthews	1,355,474	0	128,197	9.5%	24,585	48,486	83,945	0	\$17.67	\$23.50
South Central	1,441,934	0	213,411	14.8%	-1,640	-56,538	46,936	0	\$17.78	\$17.50
<b>LOUISVILLE TOTALS</b>	<b>20,537,533</b>	<b>103,751</b>	<b>3,236,285</b>	<b>16.3%</b>	<b>65,956</b>	<b>-115,439</b>	<b>794,265</b>	<b>0</b>	<b>\$18.79</b>	<b>\$20.50</b>

\*Rental rates reflect full service asking

\*\*Does not include renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	9,882,375	59,581	1,827,055	19.1%	-4,263	23,904	428,067	0	\$20.52	\$20.50
Class B	9,940,273	44,170	1,395,050	14.5%	64,819	-208,081	292,907	0	\$16.75	\$16.69
Class C	714,885	0	14,180	2.0%	5,400	68,738	73,291	0	\$14.24	\$14.24

## KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
307 North Hurstbourne Parkway	Hurstbourne / Eastpoint	Haier US Appliance Solutions	72,221	Renewal
658 South Fourth Street	CBD	Computershare	41,710	Lease
401 West Main Street	CBD	Greater Louisville Convention and Visitors Bureau	22,562	Renewal
950 Breckenridge Lane	St. Matthews	Fresenius	15,128	Lease
500 West Jefferson Street	CBD	Downtown Development Corporation	7,563	Lease
500 West Jefferson Street	CBD	Farra Law	6,090	Lease

## KEY SALE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
500 West Broadway	CBD	Fifth and Broadway / LDG Development	166,003	\$3,350,000 / \$20.18



**OFFICE SUBMARKETS**

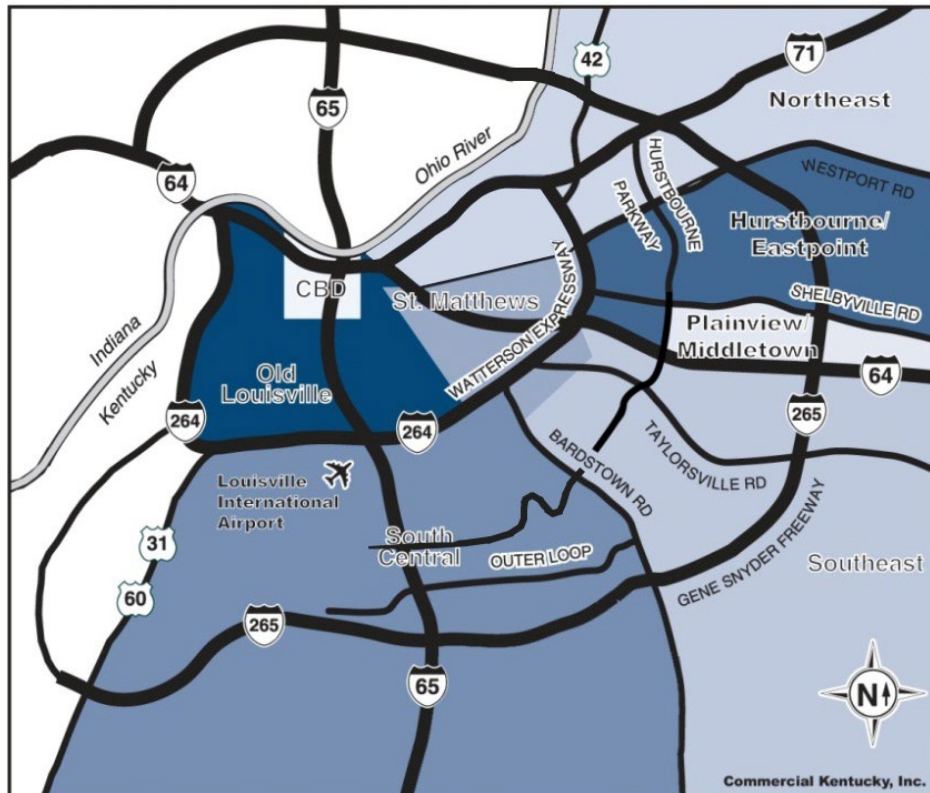
- Central Business District (CBD):** Extends from River Rd. to York St. and from Hancock St. to Ninth St.
- Old Louisville:** Includes the downtown area immediately surrounding the CBD, as well as Old Louisville.
- Hurstbourne/Eastpoint:** Largest suburban market includes areas east of I-264, north of Shelbyville Rd. and south of Westport Rd.
- Plainview/Middletown:** Contains the areas south of Shelbyville Rd., north of I-64 and east of Hurstbourne Pkwy.
- Southeast:** Includes the area along S. Hurstbourne Parkway, extending south from I-64 to Bardstown Rd.
- Northeast:** Embodies an area south of the Ohio River, north of Westport Rd. and east of I-264.
- St. Matthews:** Largely within I-264 and east of Bardstown Rd.
- South Central:** Encompasses an area southwest of Bardstown Rd. to Shively, which includes Louisville International Airport.

**KRISTINE MCFARLAND**

Research Analyst

Tel: +1 502 589 5150

[kmcfarland@commercialkentucky.com](mailto:kmcfarland@commercialkentucky.com)



**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.