

MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.7% Vacancy Rate	▼	▲
34.4K YTD Net Absorption, SF	▼	▼
\$18.76 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
702.6K Louisville Employment	▼	▲
4.6% Louisville Unemployment Rate	▲	▬
4.2% Country Unemployment Rate	▲	▲

Source: BLS

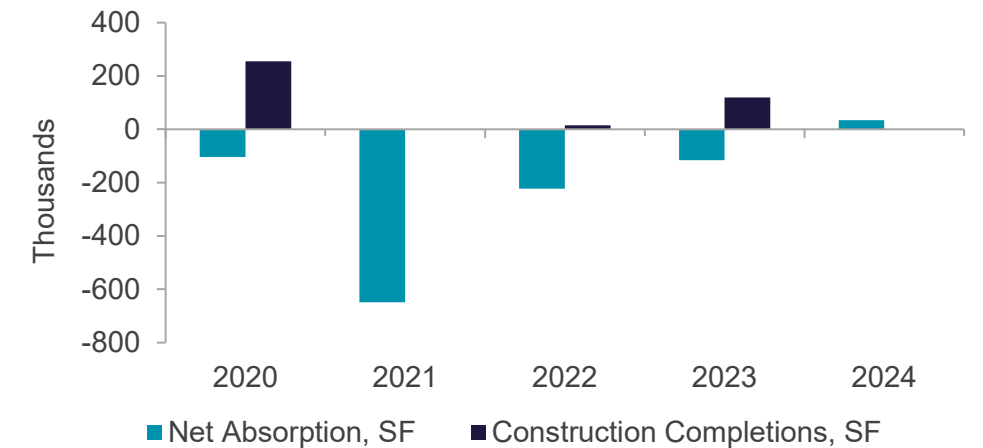
ECONOMIC OVERVIEW

The cautious optimism we 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%.

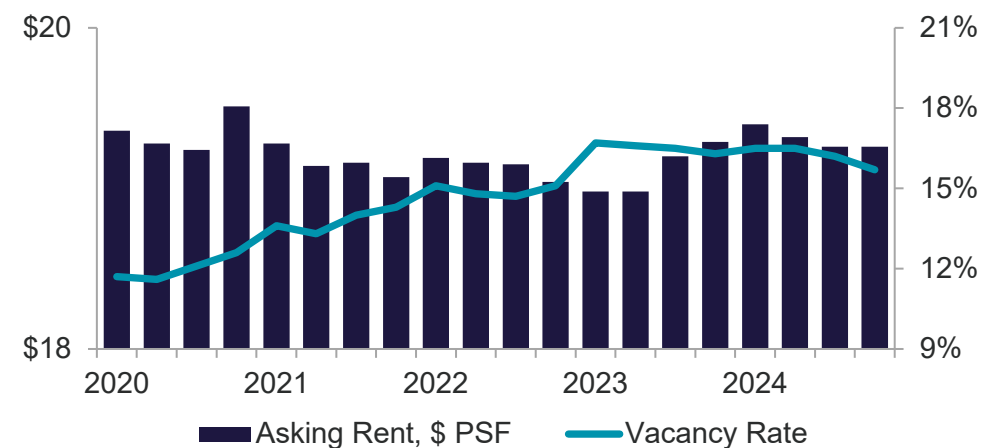
Mayor Craig Greenberg and city leaders continue to actively engaged in revitalizing the downtown city core through a combination of incentives and private/public investment partnerships. Local leaders are working to raise Louisville's profile to prioritize entrepreneurial growth, corporate relocations, tourism growth and affordable downtown housing. Louisville Tourism continues to attract thousands more visitors each year with the expansion of the Bourbon Trail and promotion of events, concerts and festivals. The efforts of CEO Cleo Battle and his team certainly compliment the efforts of government leaders to sell the city's image to the world that Louisville is a great place to live, work and play.

Although we may take comfort in the improving U.S. economic conditions, serious concerns remain regarding the ongoing conflicts in Ukraine and the Middle East. Israel's conflicts with Hamas, Hezbollah and the Houthi rebels in Yemen continue, further complicated by the fall of the Assad regime in Syria. U.S. interests in the Middle East will be a top priority of the incoming Trump administration as will the Trump administration's efforts to broker an end to the conflict between Ukraine and Russia which has resulted in tens of thousands of deaths and destruction to many of Ukrainian cities and utility infrastructures. Restoring peace and stability to the Middle East is critical to protecting U.S. interests in the area.

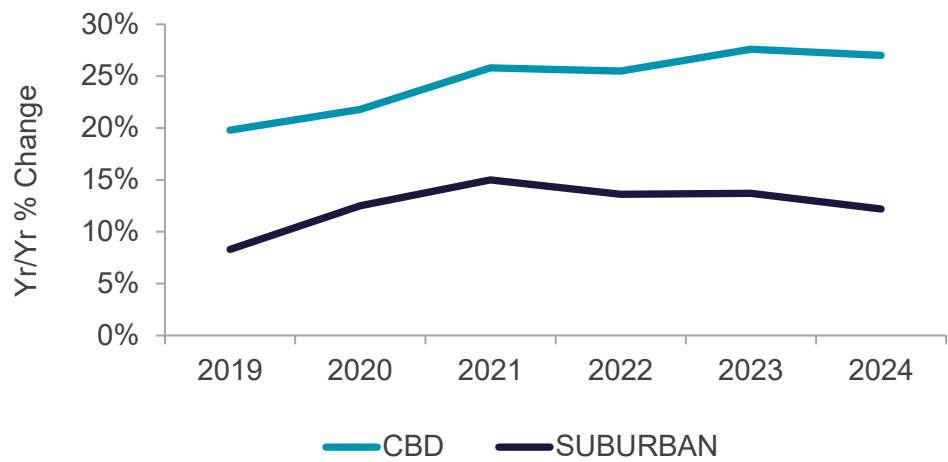
SPACE DEMAND / DELIVERIES



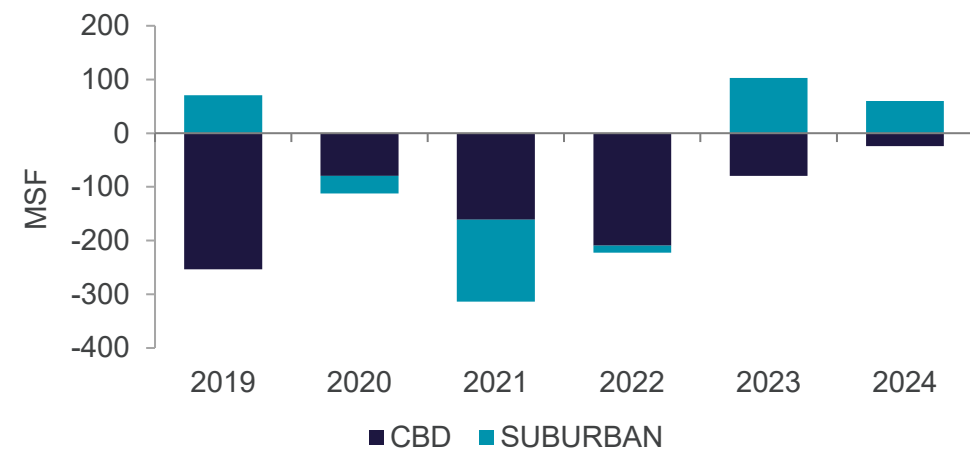
OVERALL VACANCY & ASKING RENT



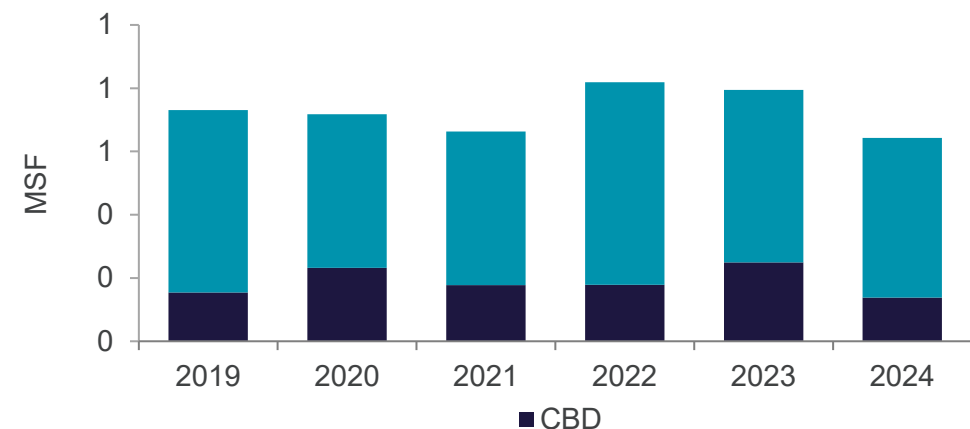
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

CBD leasing activity for Q4 ended with only 3,925 sf of new leases downtown, a rough end to 2024. Year-to-date leasing activity (YTD) for 2024 ended at 138,333 square feet (sf), a little more than half of the leasing activity reported at this time in 2023 (249,683 sf). Class A still dominates the overall YTD leasing activity figures, and the recently renovated 500W tower continues to be a major player in downtown leasing activity accounting for 58% of new CBD leases in 2024. CBD YTD absorptions ended negative at -72,850 sf, much better than last year’s YTD absorption of negative -260,120 sf. Overall CBD vacancy rate rose 50 bps from 21.1% on Q4 2023 to 21.6% in Q4 2024. Most of the CBD vacancy can be found in the Class A CBD inventory. CBD Class A inventory by itself stands at an astonishing 27% vacancy, although it is important to note that only a handful of downtown towers – notably 401 S. 4th Street and Meidinger Tower – comprise the bulk of that vacancy. Overall asking rates rose from \$17.99 to \$18.01, with class A going from \$19.52 to \$19.61, keeping pace with inflation and increasing tenant construction costs.

SUBURBAN

Louisville’s suburbs continue to provide positive figures raking in 92,637 sf of new leasing activity in Q4 and ending the year with 504,457 sf YTD. 2023 yielded slightly better numbers with 101,308 sf of Q4 activity and 544,582 sf of YTD leasing activity respectively; nonetheless, the suburban office market can only be described as healthy. The Hurstbourne / Eastpoint is once again the predominant submarket in terms of absorption and leasing activity and is expected to continue being a significant contributor in 2025.

Q4 of 2024 saw the highest quarterly absorption since Q3 of 2023, bringing in a total of 76,848 sf of absorption. YTD absorption did not quite match last year’s figure of 144,681 sf but ended 2024 at 107,313 sf. The suburban vacancy rate dropped 90 bps from 12.1% in Q3 to 11.2% in Q4, but ended at 12.6%, the same as the end of 2023. Class A suburban rents dropped slightly from \$21.92 at the end of 2023 to \$21.78 at the end of 2024.

OUTLOOK

- Vacancy may pick up in both the CBD and suburbs by mid-year as several large existing tenants renew leases but downsize their leased footprint.
- Sales of standalone office properties were largely non-existent in 2024; expect those figures to pick up slightly in 2025 as more clarity comes to the interest rate and lending environment and sellers move more aggressively on price to meet the market.
- There is great elasticity in pricing for leasing top of market, Class A properties. Occupiers are willing to pay up for top-of-the-line spaces, in some cases 30-40% higher than the reported market average asking rent.

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	8,906,405	3,930	1,922,149	21.6%	-15,691	-72,850	138,333	44,000	\$18.01	\$19.61
SUBURBAN	11,571,809	24,195	1,266,935	11.2%	76,848	107,313	504,457	0	\$19.90	\$21.78
Old Louisville	399,940	0	0	0%	0	0	0	0	N/A	N/A
Hurstbourne / Eastpoint	4,887,723	23,195	563,367	12.0%	33,661	51,856	224,940	0	\$22.02	\$22.81
Plainview / Middletown	1,341,632	0	271,503	20.2%	33,304	43,888	115,063	0	\$17.56	N/A
Southeast	1,244,740	0	29,316	2.4%	27,705	39,451	41,740	0	\$19.67	\$20.00
Northeast	900,927	1,000	73,072	8.2%	-9,171	-29,813	89,635	0	\$19.43	\$19.52
St. Matthews	1,354,913	0	116,667	8.6%	-2,174	11,530	31,729	0	\$18.19	\$23.50
South Central	1,441,934	0	213,010	14.8%	-6,477	-9,599	1,350	0	\$17.90	\$17.50
LOUISVILLE TOTALS	20,478,214	28,125	3,189,084	15.7%	61,157	34,463	642,790	44,000	\$18.76	\$20.45

*Rental rates reflect full service asking

* Does not include renewals

CLASS	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 *
Class A	10,039,327	28,125	1,788,593	18.1%	36,952	35,827	438,017	44,000	\$20.45
Class B	9,736,002	0	1,389,046	14.3%	22,505	-4,099	203,073	0	\$16.68
Class C	702,885	0	11,445	1.6%	1,700	2,735	1,700	0	\$14.38

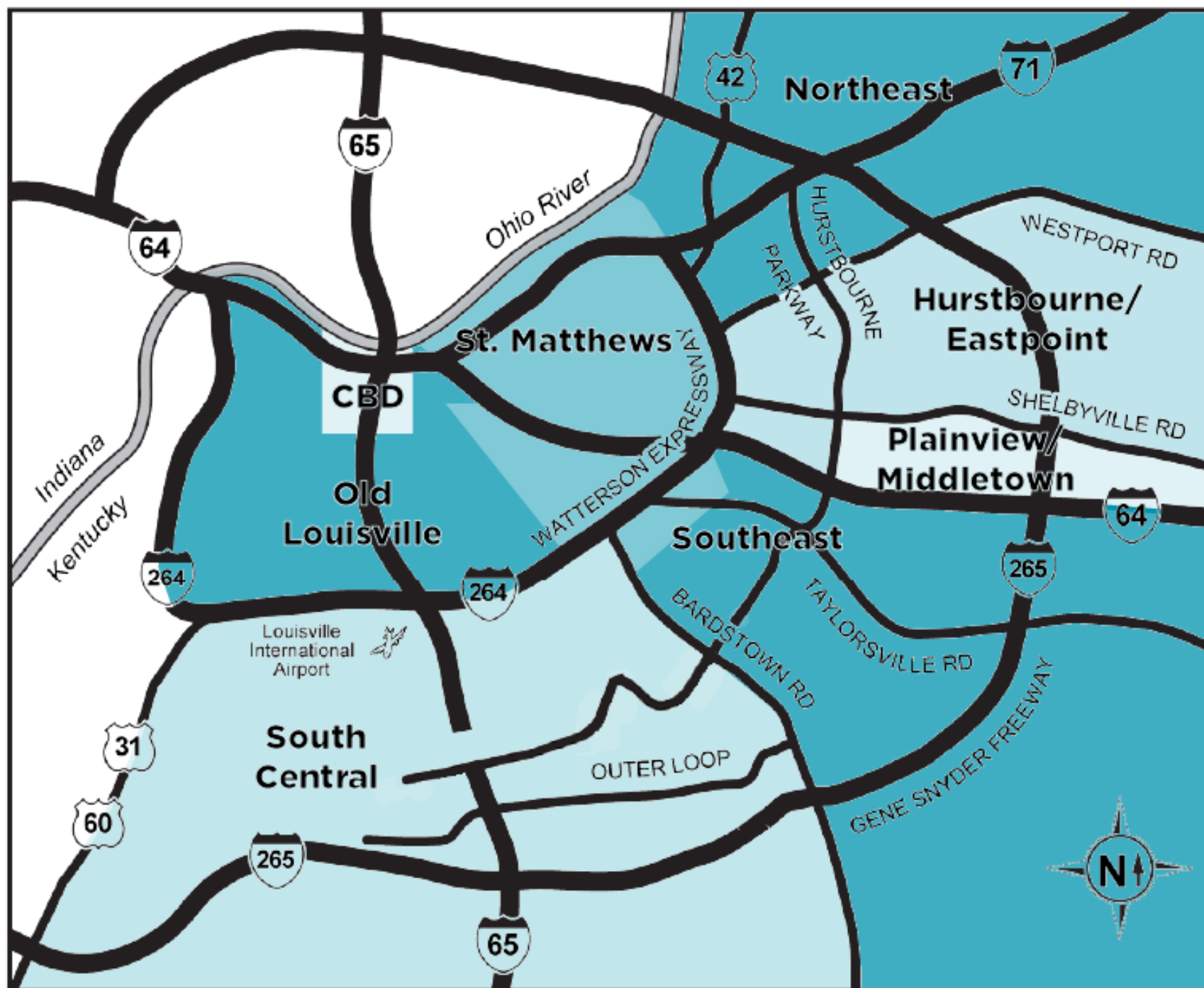
KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9410 Bunsen Way	Southeast	Johnson Controls, Inc	21,191	Renewal
297 North Hubbards Lane	St. Matthews	Wells Fargo Cleaning Services	15,436	Renewal
200 South Fifth Street	CBD	Stock Yards Bank	14,183	Renewal
9410 Bunsen Way	Southeast	Airlines Reporting Corporation	13,000	Renewal

KEY SALE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
136 West Market Street	CBD	VIP INVESTMENTS, INC/ Campisano Capital, LLC	14,124	\$2.4M / \$169.92

OFFICE SUBMARKETS



VICTORIA SAUNDERS

Research Analyst

Tel: +1 502 589 5150

vsaunders@commercialkentucky.com

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