

MARKET FUNDAMENTALS

	YOY Chg	Outlook
17.9% Vacancy Rate	▼	▲
-254.3K YTD Net Absorption, SF	▼	▬
\$18.89 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
718.8K Louisville Employment	▲	▼
4.4% Louisville Unemployment Rate	▲	▲
4.1% United States Unemployment Rate <i>Source: BLS</i>	▲	▲

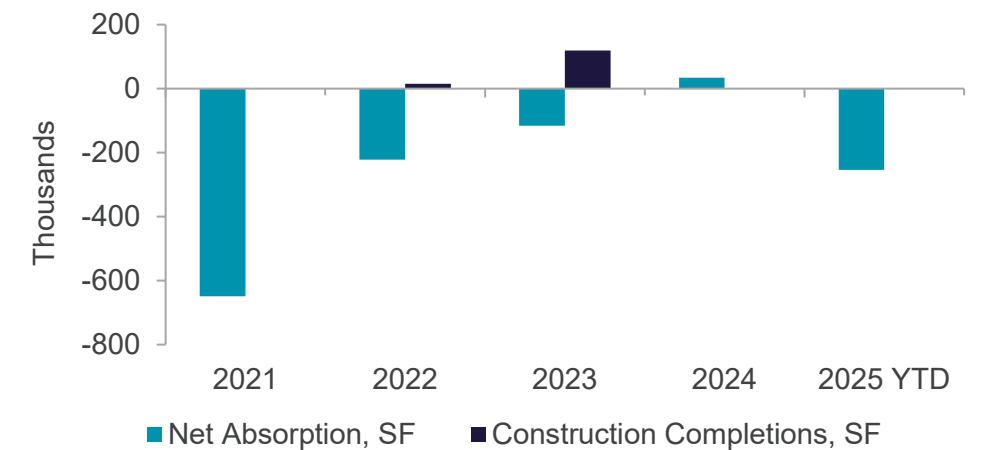
ECONOMIC OVERVIEW

Risks and uncertainties are the words that best describe the state of the U.S. economy during the first quarter of 2025. While the Trump administration has been successful on many fronts, including the southern border, judicial interference has temporarily derailed portions of the Trump agenda during the first hundred days of his administration. Among those being stalled are efforts underway by Elon Musk and his team at the Department of Government Efficiency (DOGE) to uncover waste, fraud, and abuse within the federal government. At the same time, many economists fear that Trump's tariff policies will send tremors throughout financial markets, disrupt world trade and increase prices both here and abroad. Further exacerbating these risks and uncertainties are the fragile peace talks surrounding both Ukraine and Gaza as well as the resumption of air strikes by the U.S. and Israel against the Houthi rebels in Yemen.

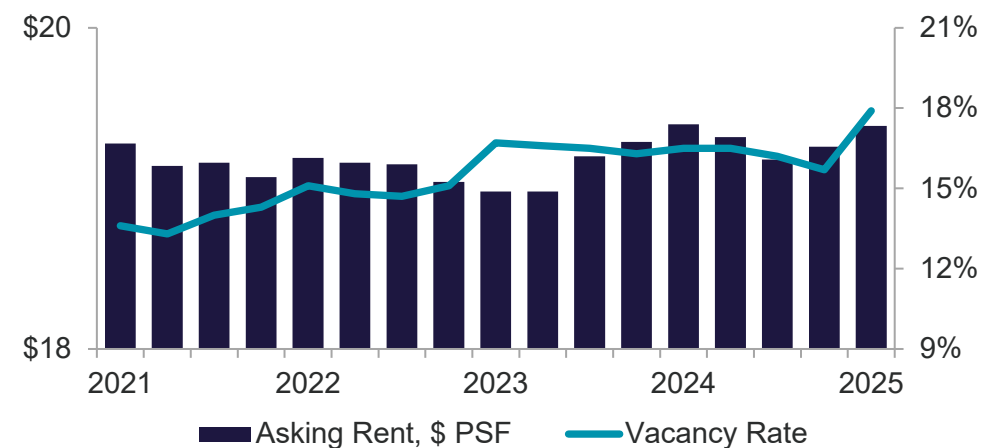
Concurrently, these same risks and uncertainties have complicated the Federal Reserve interest rate deliberations, leading the Fed to hold steady on interest rates at the FOMC meeting in February. Although consumer prices were up 2.8% from February 2024 to February 2025, prices for all items, less food and energy, increased only 3.1%, the smallest 12-month advance since April of 2021. Gross Domestic Product (GDP) growth of 2.5% for Q4 2024 fell short of Q3 2024 expectations of 2.7% while GDP growth estimates for 2025 are likely to be discounted.

While the Louisville labor force declined slightly earlier this quarter, resulting in an increase in the local employment rate from 4.4% to 4.7%, Mayor Greenberg, along with the recently formed Louisville Economic Development Alliance (LEDA) continue to promote entrepreneurial growth, corporate relocations, tourism growth, and affordable housing initiatives. Thanks to \$100 million in state funding, several important downtown projects have recently been announced including the Belvedere, the redevelopment of Louisville Gardens, the Louisville Sports Entertainment District at Slugger Field, Motorworks Apartments at 4th and Broadway, and the 200-unit Butchertown apartment complex planned near the Lynn Family Stadium.

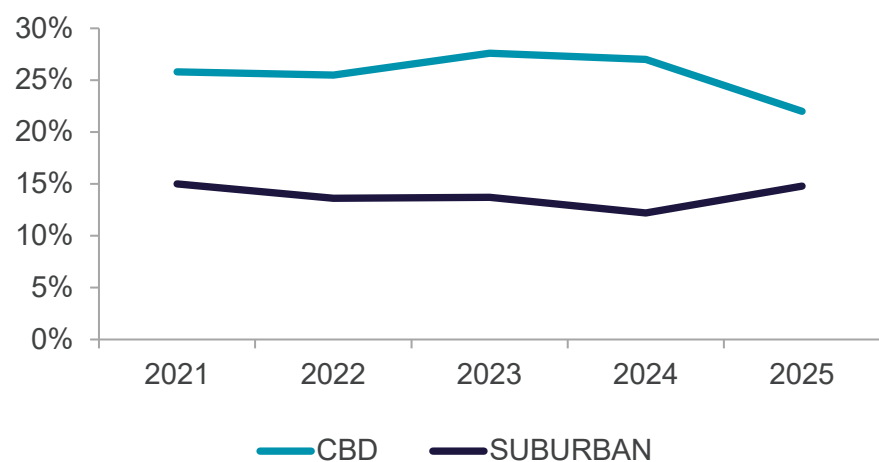
SPACE DEMAND / DELIVERIES



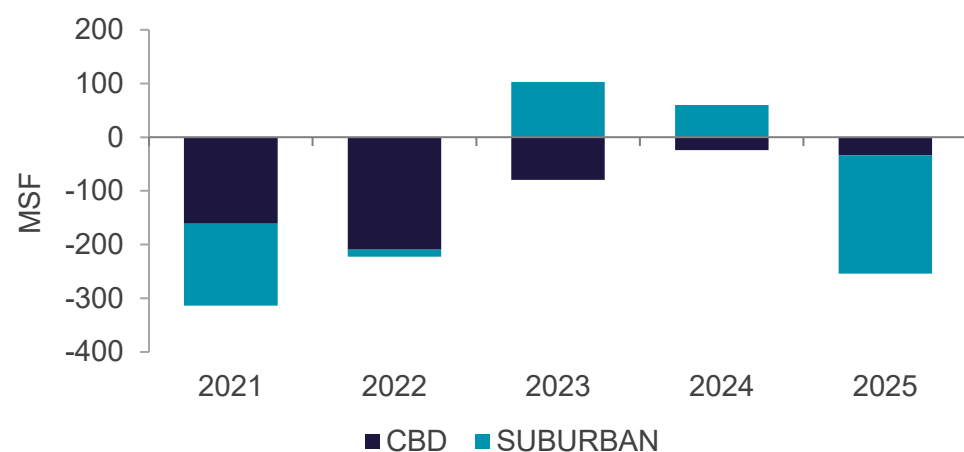
OVERALL VACANCY & ASKING RENT



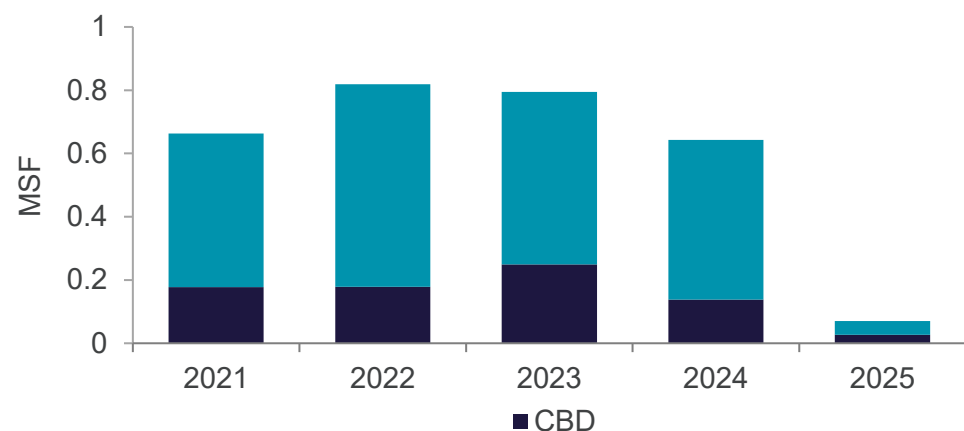
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

First quarter CBD leasing activity saw 27,215 sf of new leases downtown, up from 19,644 sf at the start of 2024. CBD absorption was negative at negative 33,419 sf but down from Q1 of last year's negative 47,324 sf. CBD Class A accounted for all leasing activity while Class B captured all of the negative absorption for the quarter. This showcases that Class A downtown properties are still desired, while Class B and C users are continuing the 'flight to quality' pattern by looking at upscale Class A properties as well as newer suburban alternatives.

The CBD vacancy rate ended at 22% overall. While Class A availabilities make up the bulk of the downtown vacancy at 27%, the Class A vacancy rate has held steady while Class B and C vacancies have contributed to the overall increase. Class A rental rates dropped slightly from \$19.55 to \$19.53.

Incentives from local government will continue to play a major role in the CBD's future. In the shorter term, expect to see low CBD absorption numbers, an increasing vacancy rate, and a slight decline in rental rates. The longer term could yield a decline in CBD office inventory through conversions to alternative uses such as hospitality or multifamily.

SUBURBAN

Louisville's suburbs slowed at the start of 2025 bringing in 43,001 sf of new leasing activity compared to 97,907 sf of leasing activity this time last year. Class A led Q1 leasing activity, but Class B continues to hold strong numbers. A large majority of this quarter's leasing activity was in the Hurstbourne / Eastpoint submarket, which continues to be a preferred location.

The suburban market saw a rough start to the year with negative 220,889 sf of absorption, mostly due to Anthem's departure at 13550 Triton Park in the Hurstbourne / Eastpoint submarket. Absent the Anthem departure, the quarter would have ended with positive absorption. The suburban vacancy rate rose 220 bps from 12.6% to 14.8%, another indicator of the significance of Anthem's departure. Class A suburban rents dropped slightly from \$21.78 at the end of 2024 to \$21.26.

OUTLOOK

- Efforts to revitalize downtown are underway and likely to produce results beyond 2025.
- Conversion of CBD office buildings to residential uses will face still competition from stat subsidies for new construction projects proposed throughout the Metro area.
- The "flight to quality" for both new and existing downtown tenants will continue as older buildings struggle to upgrade amenities in an attempt to improve occupancy levels.
- Tourism will continue to dominate street-level activity within the Central Business District

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	8,939,857	15,532	1,947,510	22.0%	-33,419	-33,419	27,215	72,000	\$17.89	\$19.53
SUBURBAN	11,573,194	36,465	1,677,162	14.8%	-220,889	-220,889	43,001	0	\$19.99	\$21.26
Old Louisville	400,290	0	0	0.0%	0	0	0	0	N/A	N/A
Hurstbourne / Eastpoint	4,882,712	35,465	846,523	18.1%	-187,725	-187,725	19,836	0	\$21.75	\$22.31
Plainview / Middletown	1,344,752	0	282,890	21.0%	-17,480	-17,480	2,525	0	\$17.95	N/A
Southeast	1,244,740	0	38,408	3.1%	-9,092	(9,092)	1,876	0	\$19.08	\$20.00
Northeast	900,927	1,000	56,405	6.4%	16,667	16,667	3,129	0	\$19.39	\$19.39
St. Matthews	1,357,839	0	139,926	10.3%	-23,259	-23,259	5,093	0	\$17.38	\$18.22
South Central	1,441,934	0	313,010	21.7%	0	0	10,542	0	\$18.11	\$18.05
LOUISVILLE TOTALS	20,513,051	51,997	3,624,672	17.9%	-254,308	-254,308	70,216	72,000	\$18.89	\$20.41

*Rental rates reflect full service asking

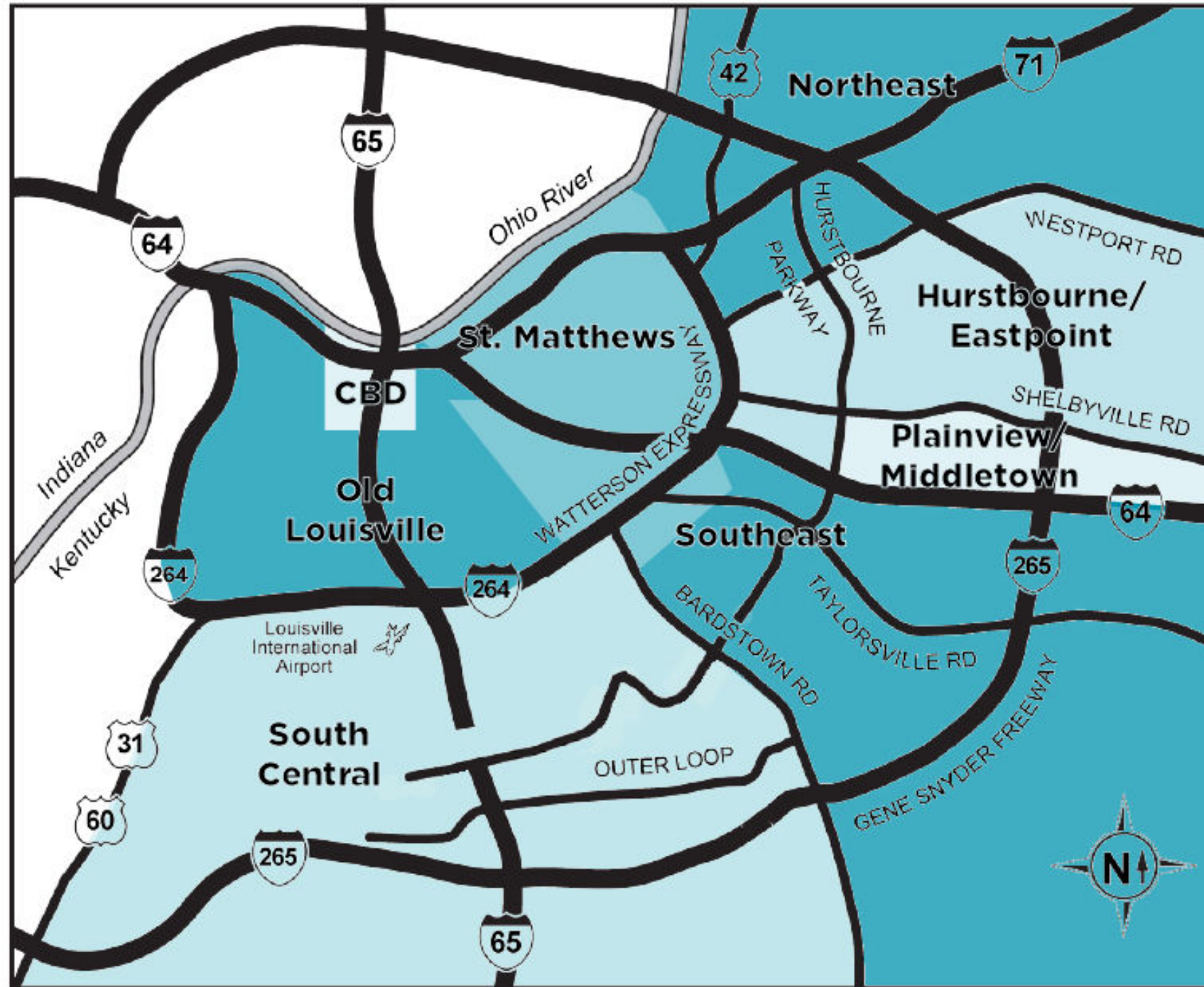
* Does not include renewals

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	10,038,936	40,395	2,155,304	21.9%	-178,451	-178,451	51,890	72,000	\$20.41
Class B	9,771,230	11,602	1,457,923	15.0%	-75,857	-75,857	17,001	0	\$16.77
Class C	702,885	0	11,445	1.6%	0	0	1,325	0	\$14.24

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
101 South Fifth Street	CBD	Steptoe & Johnson, PLLC	16,617	Lease
9200 Shelbyville Road	Hurstbourne / Eastpoint	Carewise Health	14,195	Renewal
5211 Commerce Crossings Drive	South Central	Terracon Consultants	10,542	Lease
101 South Fifth Street	CBD	Block by Block	7,376	Lease

OFFICE SUBMARKETS



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