

**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>18.8%</b> Vacancy Rate	▼	▲
<b>12.7K</b> YTD Net Absorption, SF	▼	▬
<b>\$19.03</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▬	▬

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>720.2K</b> Louisville Employment	▲	▲
<b>4.2%</b> Louisville Unemployment Rate	▼	▲
<b>4.3%</b> U.S. Unemployment Rate <i>Source: BLS *Q4 2025</i>	▲	▲

**ECONOMIC OVERVIEW**

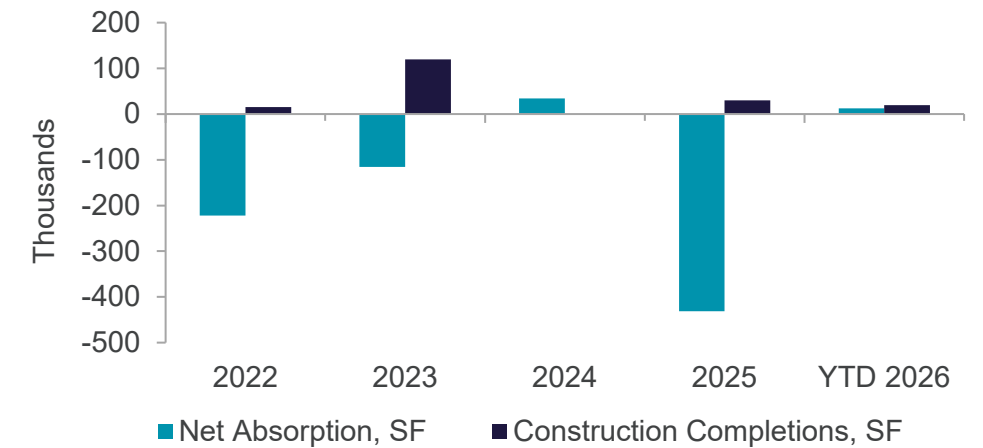
The U.S. economy demonstrated notable resilience through Q1 2026, sustaining growth against a challenging global backdrop. Ongoing international conflicts - particularly in the Middle East and Eastern Europe - introduced volatility into energy markets and trade flows, yet the domestic impact remained contained, underscoring the durability of U.S. supply chains and the strength of consumer demand. The Federal Reserve held its benchmark interest rate steady at 3.5%–3.75% in March, a deliberate signal that policymakers remain confident in the economy’s ability to absorb external shocks as inflation continues its gradual descent toward target.

Real U.S. gross domestic product (GDP) grew 0.7% in the fourth quarter of 2025 reflecting a moderation from the stronger pace of mid-2025, though the full-year 2025 GDP growth rate of 2.1% affirms the economy’s underlying durability. Inflation showed meaningful progress, with the CPI rising approximately 2.8% year-over-year in early Q1—trending closer to the Fed’s 2% long term target and consistent with the disinflationary trend defining the post-pandemic normalization. Taken together, Q1 2026 reflects an economy that is fundamentally sound, structurally adaptive, and well positioned for continued expansion.

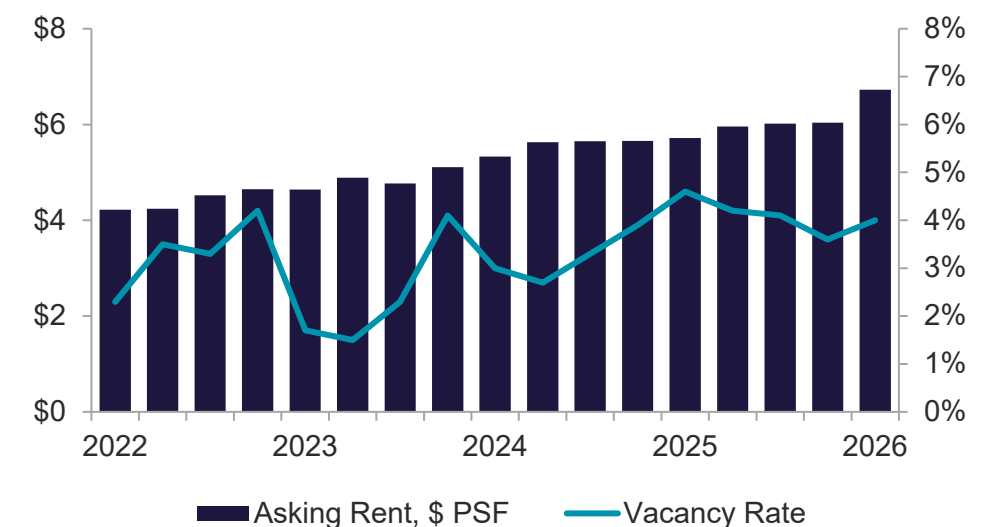
Louisville carried real momentum into Q1 2026, underpinned by a stable labor market and a maturing economic development infrastructure. The metro unemployment rate tightened to 3.1% as of December 2025, a figure that reflects sustained workforce participation across the region’s core growth sectors: health care, logistics, and construction. On the institutional side, the launch of One Louisville marks a meaningful step forward, consolidating the city’s economic development, corporate recruitment, and talent attraction efforts into a single, unified platform designed to sharpen the region’s competitive positioning and accelerate investment growth.

Local investment activity remained active, particularly downtown, where record levels of public-private investment are being realized, accompanied by a deepening pipeline of residential conversions, infrastructure improvements, and mixed-use projects. Rising building permit activity and sustained developer engagement confirm that capital continues to flow into the market. Louisville enters the remainder of 2026 in a position of strength—balanced, capital ready, and well positioned for sustainable growth.

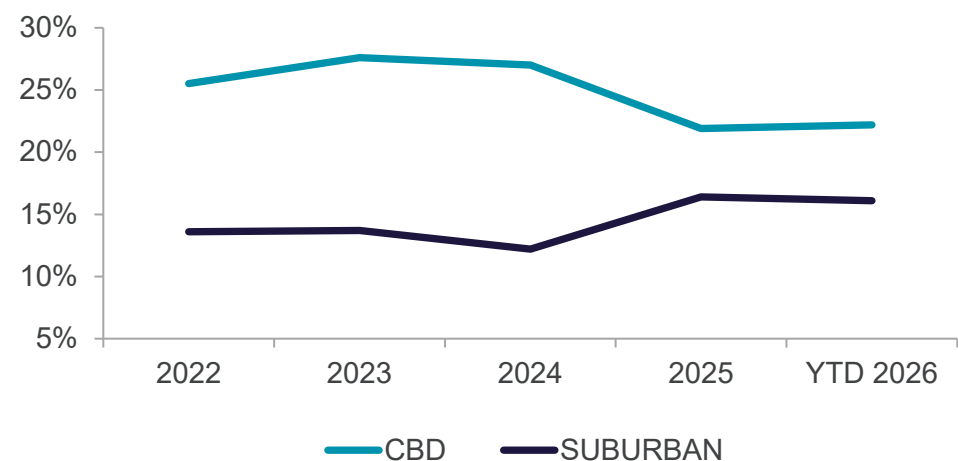
**SPACE DEMAND / DELIVERIES**



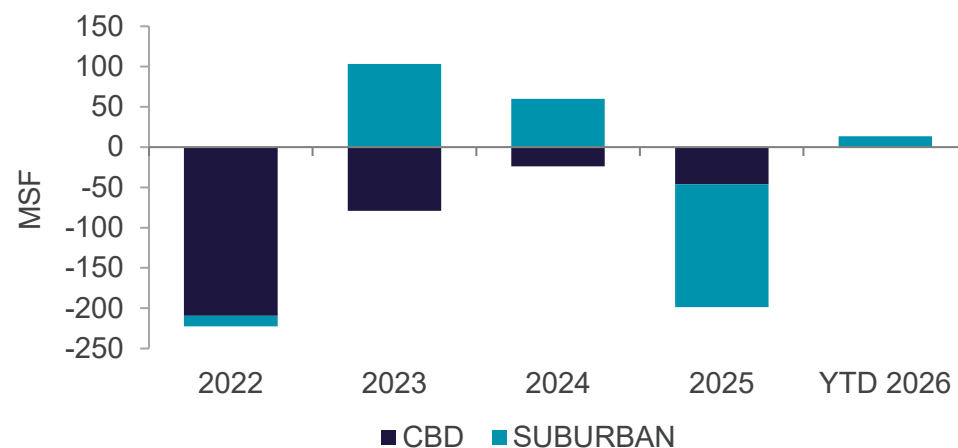
**OVERALL VACANCY & ASKING RENT**



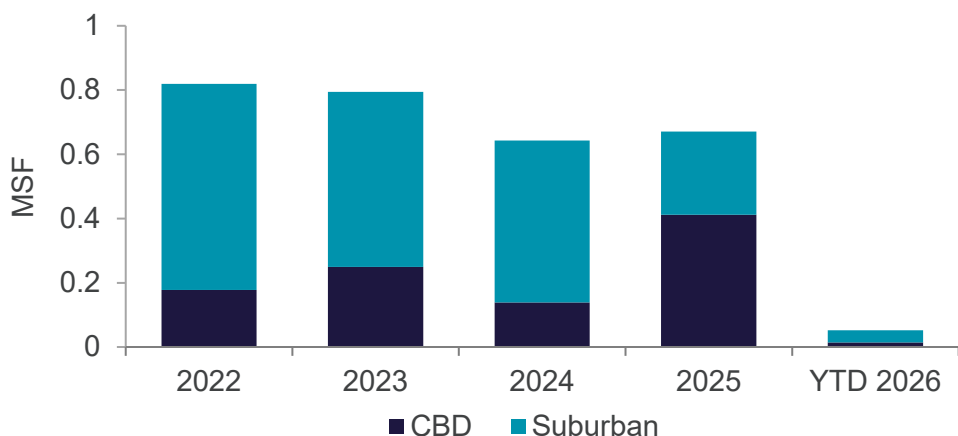
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

Downtown Louisville opened 2026 on a measured note, with Q1 leasing activity totaling 14,128 square feet (sf)—roughly half the 27,215 sf recorded in the same period last year. While deal volume was subdued, the more telling story is absorption: the CBD recorded negative 928 sf in Q1, a dramatic recovery from the negative 14,889 sf posted in Q1 2025. The narrowing of net absorption losses signals that the market is stabilizing, and underlying tenant and investor interest in the CBD remains intact.

Downtown vacancy edged up to 22.2% overall in Q1, a 20-basis-point (bps) increase year-over-year. Both Class A and Class B each moved 20 bps higher, with class A moving from 26.9% in Q4 2025 to 27.1% in Q1 2026, and Class B from 18.1% to 18.3% over the same period. On the rent side, overall CBD asking rates ticked up modestly from \$17.82 per square foot (psf) to \$17.89 psf quarter-over-quarter, while Class A rates firmed from \$20.00 psf to \$20.15 psf - a directionally positive signal that landlords are holding their pricing floors even in a soft leasing environment.

With Nulu Marketplace absorbing new tenants and the Humana Tower, Brown & Williamson Tower, and the Fiscal Court building each announcing different conversion plans, commercial interest in downtown Louisville is not merely present, it is accelerating. These conversion announcements are significant: as large-format office assets exit the inventory base, effective supply tightens and the conditions for rental rate growth and occupancy improvement become more favorable. Execution of these projects would represent a meaningful structural shift in the CBD market.

SUBURBAN

The suburban market opened 2026 with measured leasing activity, recording 38,374 sf in new deals, an 8,538-sf improvement over Q1 2025. More meaningfully, the market swung from deeply negative absorption (over 200,000 sf of losses in Q1 2025) to a positive 13,580 sf this quarter. That reversal is not a statistical anomaly; it reflects a genuine stabilization in tenant demand and a market that is beginning to absorb its available supply.

After three consecutive quarters of rising vacancy, the suburban market finally turned a corner in Q1 2026. Overall vacancy compressed 30 bps to 16.1%, while Class A tightened 20 bps to 19.5%, the first meaningful relief since mid-2025. Asking rates moved in lockstep with improving fundamentals: overall suburban rates firmed to \$20.00 psf (from \$19.94 psf in Q4 2025), and Class A rates climbed slightly to \$21.09 psf. These modest rent gains, against a backdrop of declining vacancy, point to a tightening market with improving leverage for landlords.

While investment activity has long been centered on the CBD, the suburban market is now drawing its own share of investor attention. Well-located assets are increasingly being evaluated for conversion to retail or multifamily use - a trend that, if it gains traction, will compress office inventory and create upward pressure on rents across the submarket. Conversions that successfully execute will likely catalyze further disposition activity, as owners of comparable assets reassess their highest-and-best-use calculus. This dynamic warrants close attention over the balance of 2026.

OUTLOOK

- Should conversions of the Human Tower, the Fifth Third Bank building, and the Fiscal Court building occur, investment activity within the CBD would be encouraged and office inventory would decrease.
- With recent activity at 101 South Fifth Street expecting to be absorbed in the second quarter, including Yum! Brands' occupation, the first half of 2026 is signaling positive absorption momentum.
- Well-located and well-occupied suburban buildings are attracting investors as retail or multi-family redeveloping opportunities. Success in these conversions could lead to a decrease in suburban office inventory and increase in rental rates.

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 TOTALS	9,042,309	0	2,003,902	22.2%	-928	-928	14,128	19,266	\$17.89	\$20.15
SUBURBAN TOTALS	11,598,186	42,515	1,828,179	16.1%	13,580	13,580	38,374	0	\$20.00	\$21.09
Old Louisville	400,290	0	0	0.0%	0	0	0	0	N/A	N/A
Hurstbourne / Eastpoint	4,882,712	41,515	950,075	20.3%	9,377	9,377	24,371	0	\$21.53	\$21.96
Plainview / Middletown	1,351,252	0	262,729	19.4%	4,492	4,492	0	0	\$17.88	N/A
Southeast	1,244,682	0	150,657	12.1%	-1,423	-1,423	0	0	\$19.94	\$19.50
Northeast	939,726	1,000	44,932	4.9%	-12,255	-12,255	4,821	0	\$22.15	\$22.15
St. Matthews	1,298,524	0	70,406	5.4%	5,603	5,603	9,182	0	\$16.61	\$23.50
South Central	1,481,000	0	349,380	23.6%	7786	7786	0	0	\$17.82	\$17.73
<b>LOUISVILLE TOTALS</b>	<b>20,640,495</b>	<b>42,515</b>	<b>3,832,081</b>	<b>18.8%</b>	<b>12,652</b>	<b>12,652</b>	<b>52,502</b>	<b>19,266</b>	<b>\$19.03</b>	<b>\$20.73</b>

\*Rental rates reflect full service asking

MARKET STATISTICS BY CLASS

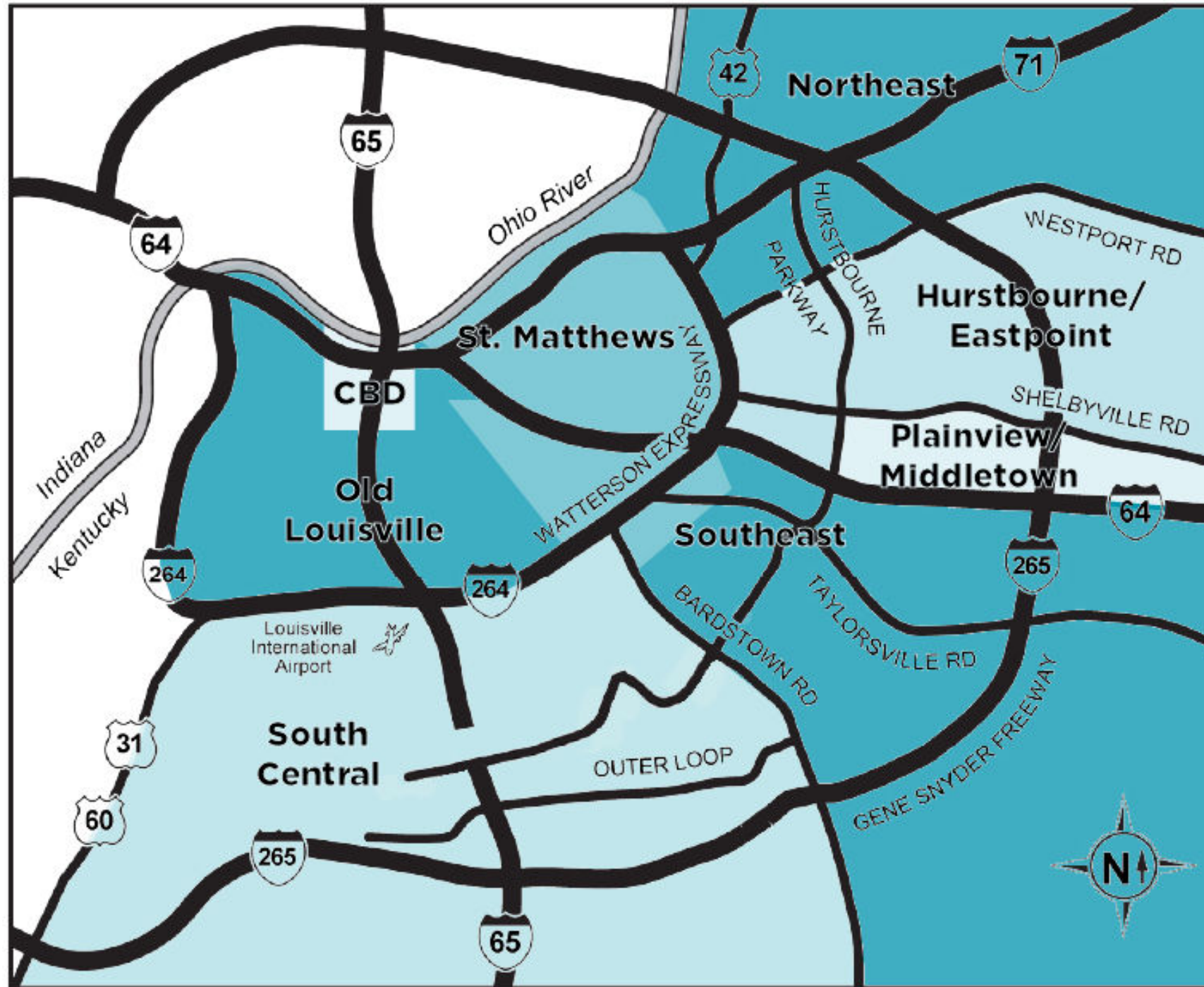
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Class A	10,073,104	42,515	2,227,134	22.5%	-6,422	-6,422	33,003	19,266	\$20.73
Class B	9,864,506	0	1,589,768	16.1%	24,133	24,133	19,499	0	\$16.95
Class C	702,885	0	15,179	2.2%	-5,059	-5,059	0	0	\$13.66

KEY TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT/SELLER/BUYER	SF	TRANSACTION TYPE
307 North Hurstbourne Parkway	Hurstbourne / Eastpoint	Haier	53,679	*Renewal
700 North Hurstbourne Parkway	Hurstbourne / Eastpoint	TEKSystems, Inc	8,607	*Renewal
101 South Fifth Street	CBD	Unknown	7,245	New Lease
400 West Market Street	CBD	Unknown	5,138	New Lease

\*Renewals not included in leasing statistics

OFFICE SUBMARKETS



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