MARKETBEAT

LOUISVILLE

INDUSTRIAL Q3 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.9% Vacancy Rate	▲	▼
847K YTD Net Absorption, SF	▼	▲
$6.25 Asking Rent, PSF *(Overall, Net Asking Rent)*	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
724K Louisville Employment	▲	▼
4.3% Louisville Unemployment Rate	▼	▲
4.3% U.S. Unemployment Rate	▲	▲

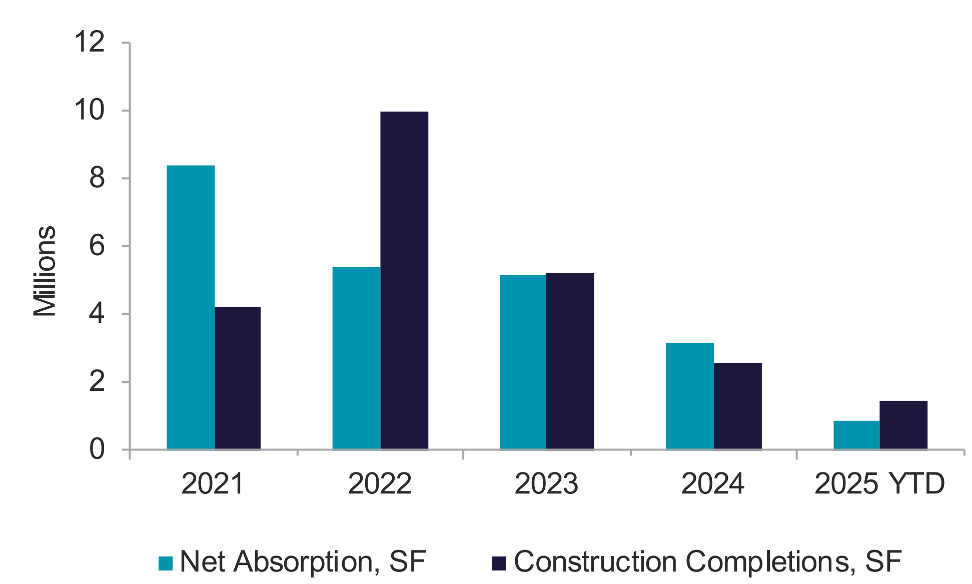
Source:BLS

ECONOMIC OVERVIEW

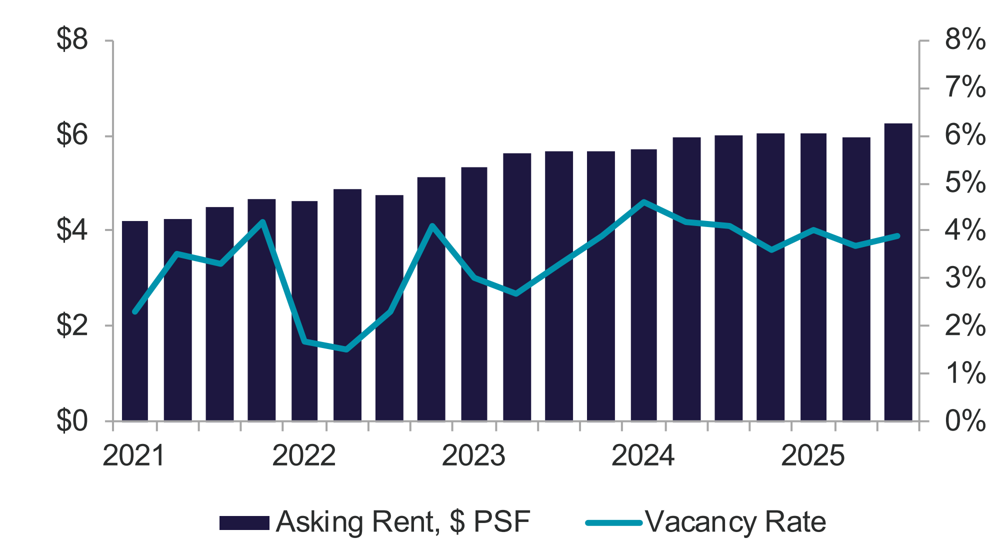
Commercial real estate remained resilient in Q3 2025, and the sector could improve further by year's end. At their September meeting, the Federal Reserve lowered the Federal Funds rate by 25 basis points, primarily in response to downward revisions in new hiring statistics. As of the 29th of September, the effective federal funds rate stood at 4.09%; many market observers are expecting the Fed to cut rates twice more before the end of 2025. Tariffs have not had the bite many naysayers had predicted – while inflation is still above the Fed's 2.0% target rate, Gross Domestic Product (GDP) increased 3.8% for Q2 2025, well above market estimates.

Like the broader economy, Louisville continues to ride a wave of steady economic growth into the final months of 2025. While Louisville's unemployment rate remained at 4.3% at the end of the second quarter, an increase is expected that is largely attributed to an increase in the local labor force rather than employee layoffs. Growth is being driven by expansions in Louisville's manufacturing base, as well as public and private development projects in and around downtown. A year into the Louisville Downtown Development Strategy - Louisville Downtown Partnership's 10-year plan for revitalizing downtown - the city states that nearly half of the 65 projects in the pipeline are either underway or in early stages of planning. Major roadway infrastructure improvements are underway on Interstates 65 and 264, as are conversions of Main, Market and Jefferson Streets downtown, which should improve traffic flow through the CBD. Finally, tourism remains a big driver of economic growth in the city. The Bourbon & Beyond and Louder Than Life music festivals were bigger than ever this year; over 450,000 people attended the festivals over a two-week period in September, generating $43 million in local economic impact and boosting overall hotel occupancy to over 80% citywide.

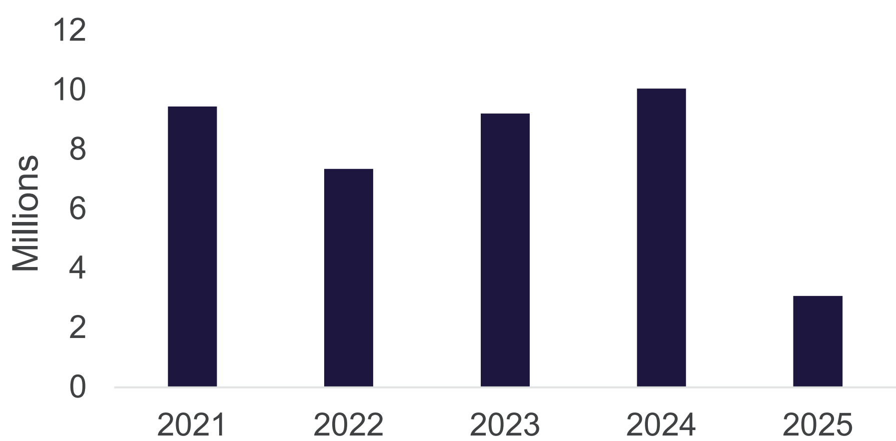
SPACE DEMAND / DELIVERIES



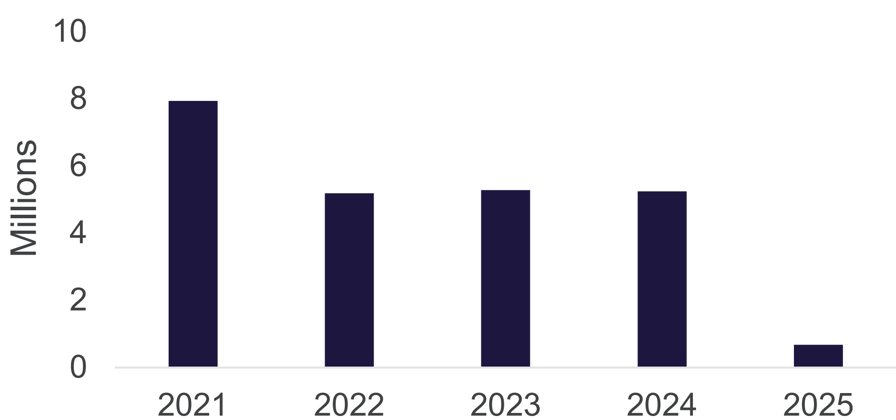
OVERALL VACANCY & ASKING RENT



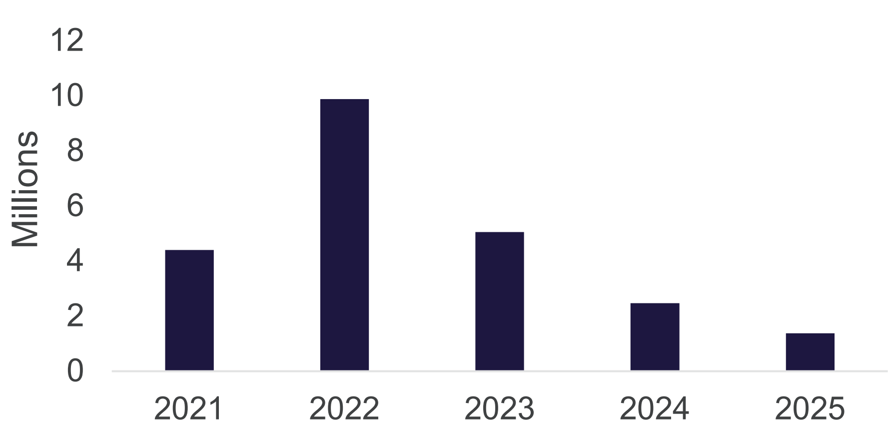
YTD LEASING ACTIVITY – BULK (SF)



YTD NET ABSORPTION – BULK (SF)



YTD CONSTRUCTION COMPLETIONS - BULK



MARKET OVERVIEW

Louisville's third quarter of 2025 marked the third straight quarter of consistent new leasing activity, finishing the quarter with 1.4 million square feet (msf) of new leasing activity. Year-to-date (YTD) leasing activity for 2025 landed at 4.1 msf, falling short of 2024's 5.1 msf of YTD leasing activity. Southern Indiana contributed the most to leasing activity at 706,633 square feet (sf) with Ford's 567,433-sf lease leading the submarket.

Absorption for the third quarter came in at a disappointing 36,959 sf. While positive absorption mirrored last quarter, several large second-generation spaces became vacant. The biggest adversary to this quarter's positive absorption was Hillsdale Furniture's 432,806-sf departure from their South submarket space. When contrasting 2024 YTD absorption, quarterly final figures are similar with Q3 2024 culminating in 1.6 msf of YTD absorption compared to Q3 2025's 1.3 msf of YTD absorption. The overall vacancy rate rose 20 basis points (bps) this quarter to 3.9%. Regardless of disappointing absorption numbers, the quarter showed consistent tenant activity with a continued low vacancy rate and steady leasing activity and positive absorption.

BULK OVERVIEW

Louisville's bulk leasing activity ended the third quarter at 1 msf, similar to the second quarter's 1.1 msf. Ford's lease in Southern Indian claimed about half of the leasing activity with the South submarket contributing a 203,840-sf sublease and 175,000-sf direct lease. Bulk absorption this quarter totaled negative 165,819 sf, the first negative absorption recorded since the first quarter of 2024. As previously mentioned, Hillsdale Furniture exit from the South submarket elicited the most negative absorption. The overall bulk vacancy rate rose 130 bps this quarter from 5.1% last quarter to 6.4% this quarter. The addition of LDG's speculative building as well as the negative absorption in Southern Indiana contributed the most to the rise.

CONSTRUCTION OVERVIEW

The Louisville Industrial bulk market reported some much-needed construction completions this quarter. The third quarter brought on LDG's speculative 211,969-sf building and Pizzuti's build-to-suit 236,234-sf building for a total of 448,293 sf added to the bulk inventory. This accumulates to 1.4 msf of YTD bulk construction completions, all located in the Southern Indiana submarket. Seven buildings broke ground this quarter, totaling 2.3 msf. Of the construction starts, the largest contributing submarkets were Shelby County with 1.0 msf and Bullitt County with 736,070 sf. As of Q3, the current bulk under construction pipeline totals 8.3 msf with another 8.3 msf planned. The Southern Indiana submarket leads in under construction activity with 3.6 msf and Bullitt County follows at 1.9 msf. In planned activity, however, Bullitt County leads with 3.3 msf and Southern Indiana follows with 1.3 msf. This suggests that Bullitt County could become a leader in submarket activity within the next year or so.

OUTLOOK

- Bulk vacancy to trend slightly higher in the coming quarters.
- With strong tenant activity expect leasing activity to continue to be strong in the fourth quarter of 2025 and the first half of 2026.
- Bulk net rents should continue to increase while the inventory remains limited.
- 2026 absorption should outpace 2025 absorption with fewer second-generation vacancies compared to 2025.
- Given construction starts, Bulk Inventory is expected to reach the 100 msf mark by mid-year 2027

MARKET STATISTICS - OVERALL

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD USER SALES ACTIVITY (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	*OVERALL WEIGHTED AVG NET RENT (MF)	*OVERALL WEIGHTED AVG NET RENT (OS)	*OVERALL WEIGHTED AVG NET RENT (WD)
Bullitt County	**25,467,282**	**3.6%**	**866,336**	**250,000**	**1,099,636**	**1,952,659**	**0**	**$5.23**	**N/A**	**$6.25**
Central	**21,222,475**	**3.7%**	**-14,543**	**78,162**	**43,250**	**0**	**0**	**$3.60**	**$7.94**	**$7.50**
Downtown	10,021,316	6.3%	-51,933	78,162	1,000	0	0	$3.57	$5.35	N/A
I-64	1,860,523	2.5%	0	0	7,200	0	0	N/A	$13.00	$7.50
I-65	9,340,636	1.1%	37,390	0	35,050	0	0	$4.00	N/A	N/A
East	**28,449,585**	**1.1%**	**-63,983**	**0**	**366,844**	**558,000**	**0**	**$10.00**	**$11.37**	**$6.99**
Jeffersontown	14,428,512	1.4%	-103,173	0	124,803	467,000	0	$10.00	$10.88	$6.50
Middletown / Eastpoint	3,978,576	1.3%	40,750	0	128,931	0	0	N/A	$13.72	N/A
Westport Road	10,042,497	0.7%	-1,560	0	113,110	136,000	0	N/A	$8.21	$8.00
South	**60,894,661**	**3.6%**	**-404,546**	**396,600**	**943,654**	**444,426**	**0**	**$5.93**	**$9.50**	**$6.81**
Airport	33,656,952	5.8%	-665,270	396,600	535,782	324,576	0	$5.93	N/A	$6.84
Bishop Lane	9,531,584	0.7%	23,832	0	56,430	119,850	0	N/A	$9.50	N/A
Fern Valley	17,706,125	1.1%	236,892	0	351,442	0	0	N/A	N/A	$6.56
West / Southwest	**24,457,656**	**6.5%**	**-351,833**	**0**	**244,202**	**342,720**	**0**	**N/A**	**$10.02**	**$5.75**
Iroquois	248,024	0.0%	0	0	0	0	0	N/A	N/A	N/A
Riverport	20,158,089	7.6%	-329,198	0	244,202	342,720	0	N/A	$10.02	$5.78
Westend	4,051,543	1.3%	-22,635	0	0	0	0	N/A	N/A	$5.08
Shelby County	**10,023,700**	**3.7%**	**177,034**	**0**	**177,034**	**1,457,240**	**0**	**N/A**	**$11.60**	**$6.79**
Southern Indiana	**34,273,333**	**5.6%**	**639,008**	**0**	**1,224,788**	**3,787,975**	**1,455,831**	**$4.20**	**N/A**	**$6.75**
Floyd County	5,500,141	1.2%	32,500	0	32,500	1,952,659	0	N/A	N/A	$6.95
Clark County	28,773,192	6.4%	606,508	0	1,192,288	1,952,659	1,455,831	$4.20	N/A	$6.73
LOUISVILLE TOTALS	**204,788,692**	**3.9%**	**847,473**	**724,762**	**4,099,408**	**8,588,020**	**1,455,831**	**$4.35**	**$10.23**	**$6.46**

MARKET STATISTICS - BULK

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD USER SALES ACTIVITY (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	*OVERALL WEIGHTED AVG. NET RENT (LAST Q)	*OVERALL WEIGHTED AVG NET RENT (THIS Q)
Bullitt County	23,133,161	3.9%	876,136	1,018,765	1,099,636	1,952,659	0	$6.25	$6.25
Central	1,211,595	0.0%	0	0	0	0	0	N/A	N/A
East	6,428,586	1.9%	-55,130	160,134	169,640	470,000	0	$8.10	$6.50
South	25,528,224	0.0%	-467,882	0	752,765	444,426	0	$6.84	$7.05
West / Southwest	14,176,360	9.8%	-292,898	0	226,102	342,720	0	$5.84	$5.84
Shelby County	3,059,919	11.9%	0	0	0	1,457,240	0	$6.73	$7.15
Southern Indiana	20,118,340	7.6%	417,433	0	831,633	3,647,975	1,374,349	$6.24	$6.55
LOUISVILLE TOTALS	**93,656,185**	**6.4%**	**477,659**	**1,178,899**	**3,079,776**	**8,315,020**	**1,374,349**	**$6.38**	**$6.56**

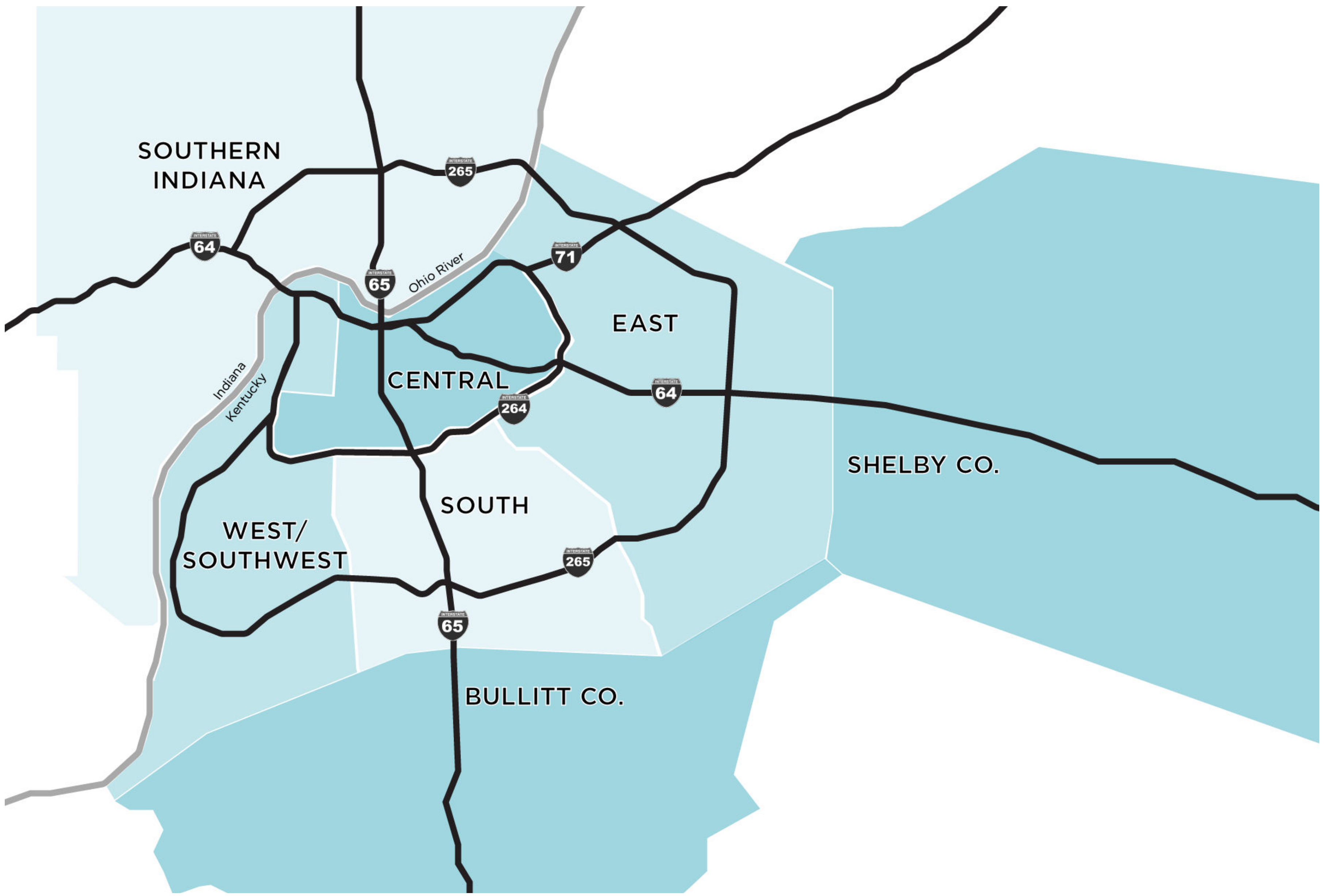
**Rental rates reflect weighted net asking $psf/year*

KEY TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT BUYER / SELLER	SF	TYPE
370 Logistics Avenue	Southern Indiana	Ford	567,433	New Lease
8201 Minor Lane	South	Arvato	396,000	Owner Sale
3195 South Park Road	South	Undisclosed	203,840	Sublease
6701 Enterprise Drive	South	AI International	175,000	New Lease
12720 Westport Road	East	Dana	156,000	Renewal*
12730 Westport Road	East	Conagra Brands	129,000	Renewal*
600 Patrol Road	Southern Indiana	Hoffman Property Holding, LLC	114,200	Sublease

**Renewals not included in leasing statistics*

INDUSTRIAL SUBMARKETS



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