

MARKET FUNDAMENTALS

	YOY Chg	Outlook
19.2% Vacancy Rate	▼	▲
-553K YTD Net Absorption, SF	▼	▬
\$18.92 Asking Rent, PSF (Overall, All Property Classes)	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
724.4K Louisville Employment	▲	▼
4.3% Louisville Unemployment Rate	▼	▲
4.3% United States Unemployment Rate	▲	▲

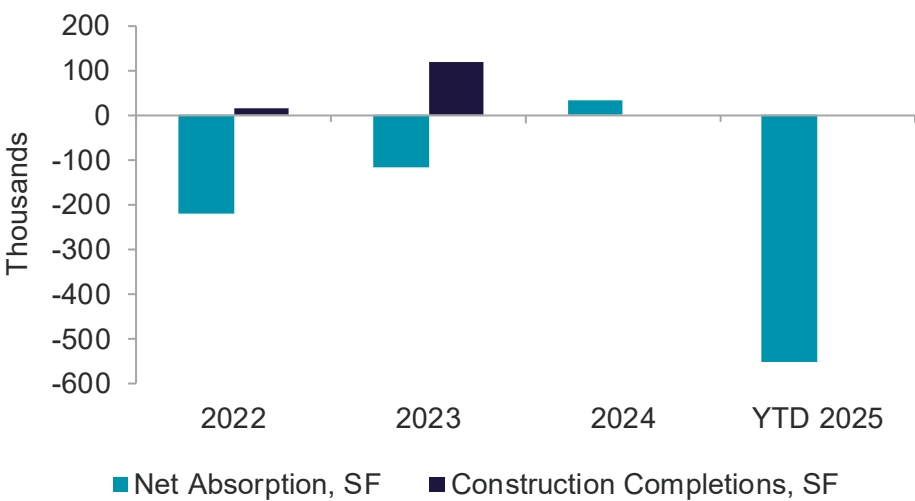
Source:BLS

ECONOMIC OVERVIEW

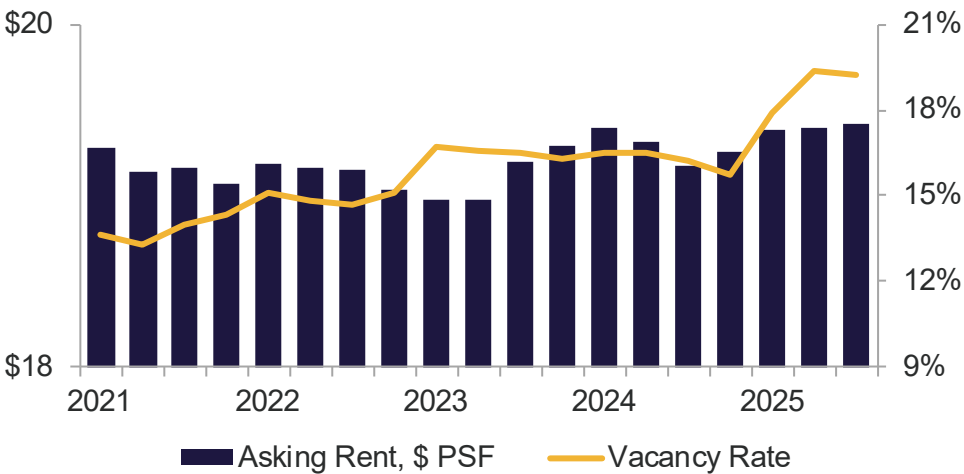
Commercial real estate remained resilient in Q3 2025, and the sector could improve further by year’s end. At their September meeting, the Federal Reserve lowered the Federal Funds rate by 25 basis points, primarily in response to downward revisions in new hiring statistics. As of the 29th of September, 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 haven’t 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 improvement are underway on Interstates 65 and 264, as are conversions of Main, Market and Jefferson Streets downtown, which should improve traffic flow through the Central Business District (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.

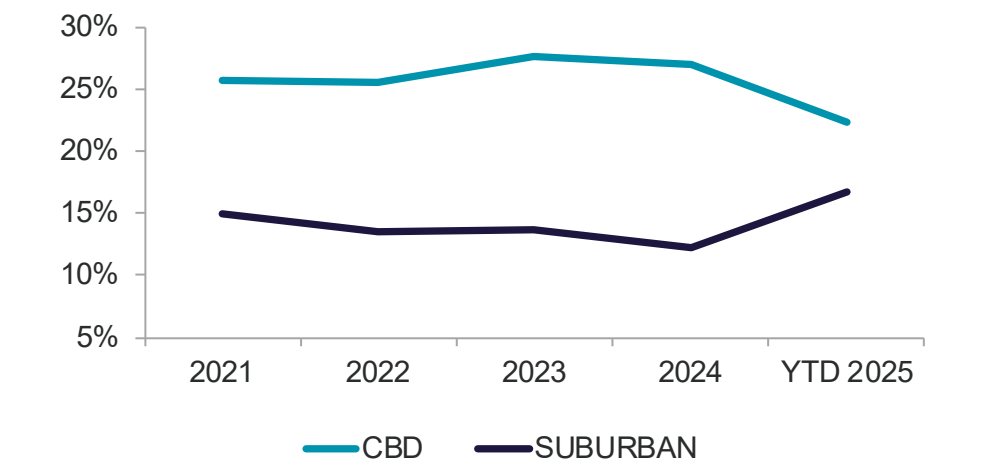
SPACE DEMAND / DELIVERIES



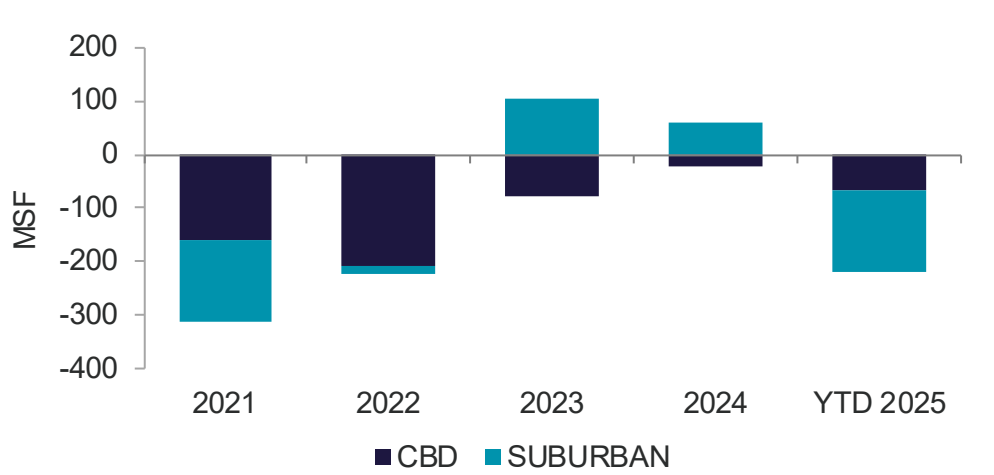
OVERALL VACANCY & ASKING RENT



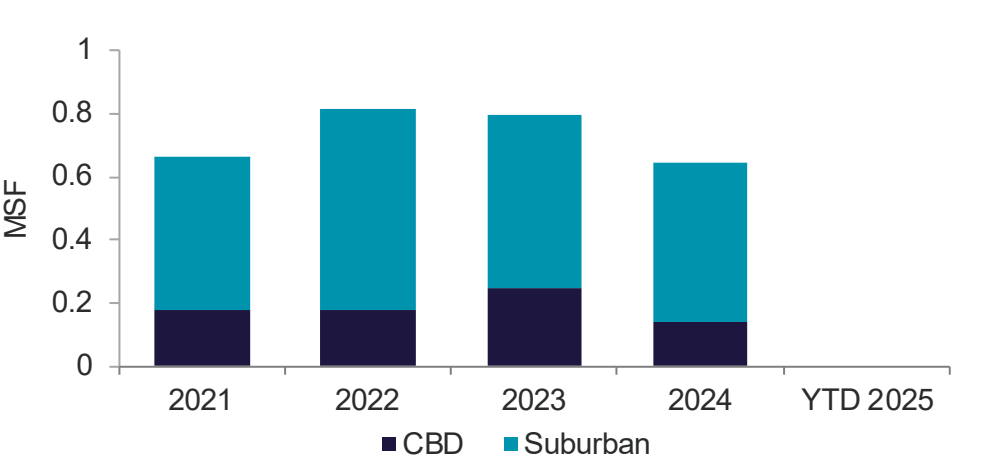
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

Downtown leasing activity surged in the third quarter with 254,885 square feet (sf) of new leases signed compared to 98,190 in Q3 2024. Class A claimed 230,485 sf while Class B claimed 24,400 sf, due mainly to the Army Corps of Engineers new lease at LG&E Center on Main Street. With the first half of 2025 only netting 53,153 sf of new leases, the second quarter is off to an exceptionally strong start. CBD negative absorption saw an encouraging slowdown, landing at negative 2,929 sf compared to negative 14,889 sf in the first quarter and negative 64,586 sf in the second quarter. Class A absorption was 6,178 sf while class B absorption was negative 9,107 sf.

CBD vacancy rates once again held steady at 22.4% marking only a 40-basis point (bps) increase from the start of 2025, and a 10 bps drop from the second quarter. The class A vacancy rate also dropped 10 bps while the class B vacancy rate rose 10 bps. Overall CBD rental rates declined slightly from \$17.72 psf last quarter to \$17.67 psf. The Class A rental rate ended at \$19.53 psf, and the Class B rate landed at \$15.92 psf.

SUBURBAN

Suburban leasing activity ended the third quarter with 49,405 sf of new leasing activity, staying consistently low throughout 2025. Compared to this time last year, Q3 new suburban activity is 123,665 sf less than the reported amount for Q3 2024. Class A ended with 39,036 sf and Class B landed at 10,369 sf of new leasing activity, respectively. The Hurstbourne / Eastpoint submarket continues to lead in new leasing activity.

Suburban negative absorption slowed substantially in the third quarter, recording a total of negative 17,366 sf compared to the negative 201,596 sf and negative 251,843 sf recorded in Q1 and Q2 of 2025. Year to date (YTD) suburban absorption currently stands at negative 470,805 sf of absorption compared to 30,465 sf of positive absorption at this time last year. The Southeast submarket saw the most negative absorption this quarter due to Equian's departure from 9400 Bunsen Parkway. The overall suburban vacancy rate landed at 16.7%, down 30 basis points from the second quarter. Average Class A suburban rents landed at \$21.25 psf, which has effectively held steady over the past year.

A CHANGING ENVIORNMENT

With office building generally in less demand, owners are looking for redevelopment opportunities in creating new multifamily, hospitality, or retail properties. While downtown redevelopment is not an emerging trend, owners of highly occupied suburban offices such as Fenley Office Park are listing their buildings for sale as redevelopment opportunities as well. Investors are considering shifting the inventory balance away from office to accommodate for other property demands. Should there be success, expect other office building owners to considering following suit.

OUTLOOK

- A lower interest rate environment should free up lending activity, contributing to an increase in sales activity across all segments of the commercial real estate sector
- After reaching record highs, vacancy statistics in the CBD should begin to improve notably as several large office buildings and towers are decommissioned and removed from the city's leasable office inventory.
- Top of market, Class A office space is beginning to run in short supply in the suburbs. As tenant competition heats up for the few remaining spaces, expect landlords to adjust rents upwards to meet the market.

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	9,012,309	11,543	2,010,937	22.4%	-2,929	-82,404	308,038	30,000	\$17.97	\$19.53
SUBURBAN	11,520,321	32,297	1,891,314	16.7%	-17,366	-470,805	158,442	101,200	\$20.03	\$21.25
Old Louisville	400,290	0	0	0.0%	0	0	0	0	N/A	N/A
Hurstbourne / Eastpoint	4,882,712	31,297	1,007,744	21.3%	6,385	-322,051	83,331	0	\$21.53	\$21.98
Plainview / Middletown	1,351,252	0	262,021	19.4%	5,656	156	21,267	0	\$17.88	N/A
Southeast	1,244,682	0	165,713	13.3%	-30,032	-136,397	1,876	0	\$19.30	\$19.67
Northeast	900,927	1,000	53,848	6.1%	3,861	19,224	28,549	0	\$20.13	\$20.13
St. Matthews	1,298,524	0	83,888	6.5%	-3,236	-26,647	12,877	0	\$17.55	\$24.78
South Central	1,441,934	0	318,100	22.1%	0	-5,090	10,542	0	\$17.99	\$18.05
LOUISVILLE TOTALS	20,532,630	43,840	3,902,251	19.2%	-20,295	-553,209	466,480	131,200	\$18.92	\$20.55

*Rental rates reflect full service asking

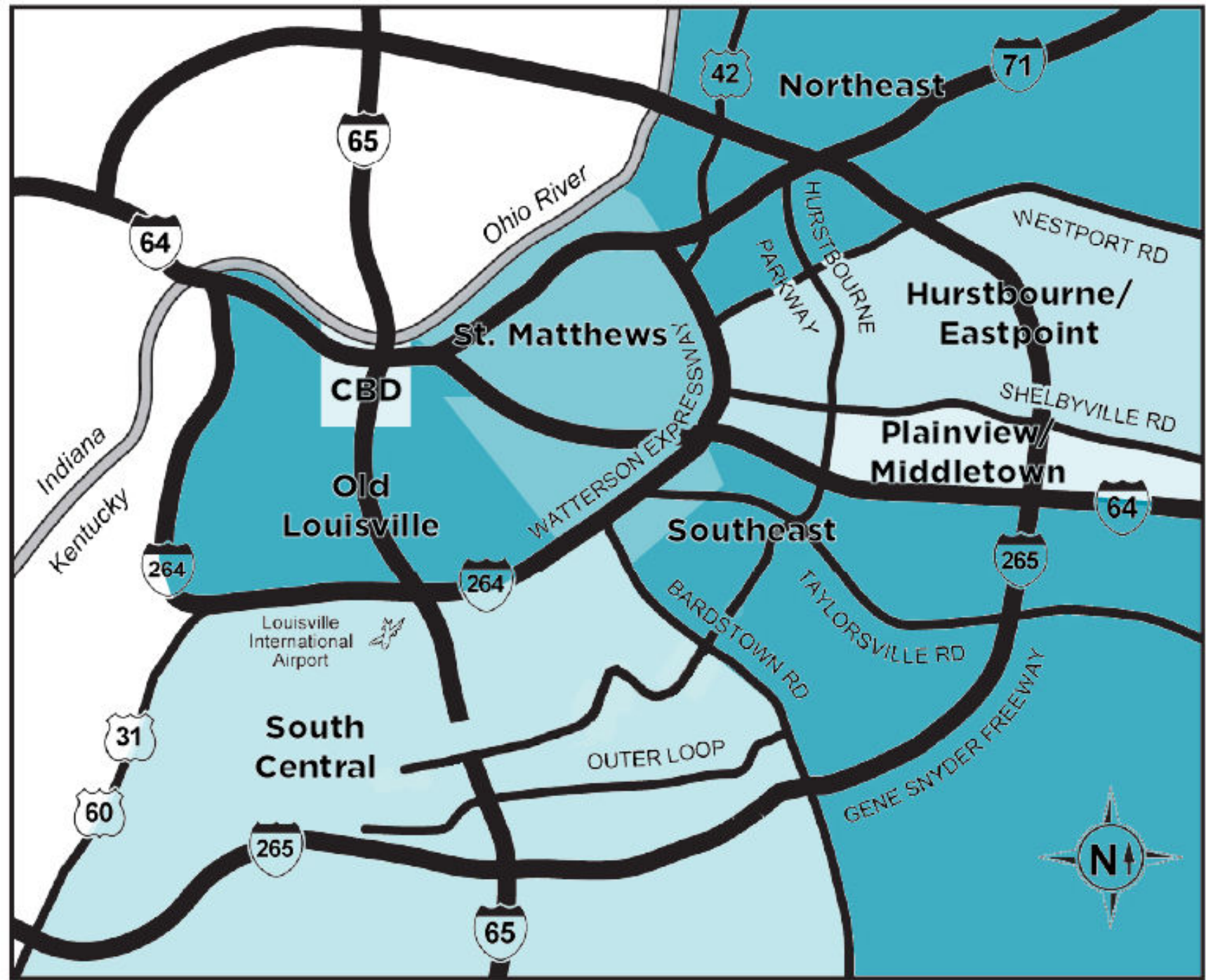
* Does not include renewals

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	9,965,239	36,227	2,270,278	23.1%	-699	-355,030	386,790	131,200	\$20.55
Class B	9,864,506	7,613	1,621,853	16.5%	-19,596	-219,504	78,365	0	\$16.76
Class C	702,885	-	10,120	1.4%	0	1,325	1,325	0	\$14.24

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
118 East Main Street	CBD	Army Corps of Engineering	200,777	Lease
2305 River Road	Northeast	VSimple	21,171	Lease
101 South Fifth Street	CBD	Fultz Maddox Dickens	17,044	Renewal
471 West Main Street	CBD	Kaplan Johnson Abate & Bird LLP	12,945	Lease

OFFICE SUBMARKETS



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