MARKETBEAT
LOUISVILLE
OFFICE Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
17.9% Vacancy Rate	▼	▬
137K YTD Net Absorption, SF	▲	▬
$19.03 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
711.4K Louisville Employment	▼	▲
4.5% Louisville Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▬	▲

Source:BLS

ECONOMIC OVERVIEW

During Q2 2026, strong consumer spending, steady business investment, and a healthy labor market helped support economic momentum across the country despite remaining geopolitical uncertainty. Forecasts during the quarter pointed to solid economic growth, with the Federal Reserve's third model estimating real GDP growth of approximately 2.1% for the second quarter, indicating continued expansion in economic activity.

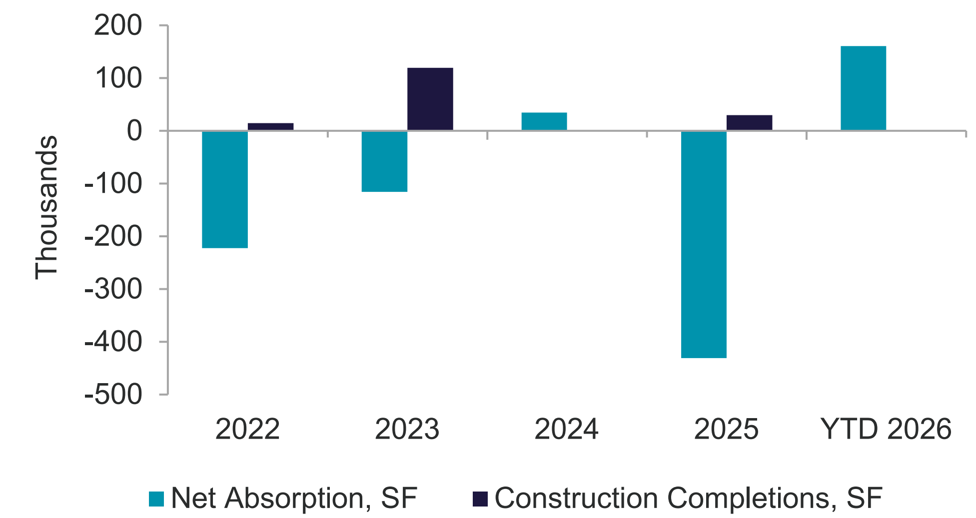
Inflation remained above the Federal Reserve's long-term 2% objective but continued to move toward a more sustainable range. Federal Reserve policymakers projected a median 2026 PCE inflation of about 3.3%. To balance growth and price stability, the Federal Reserve maintained the federal funds rate at 3.65% during its June 2026 meeting noting that economic activity was expanding at a solid pace and that labor market conditions remained stable.

Locally, the Louisville metropolitan economy continued to demonstrate stability and resilience in Q2. The local labor market remained healthy, with the unemployment rate near 4.0% in April and approximately 4.0%–4.6% throughout the spring, reflecting a workforce that remained engaged despite a slower national growth environment.

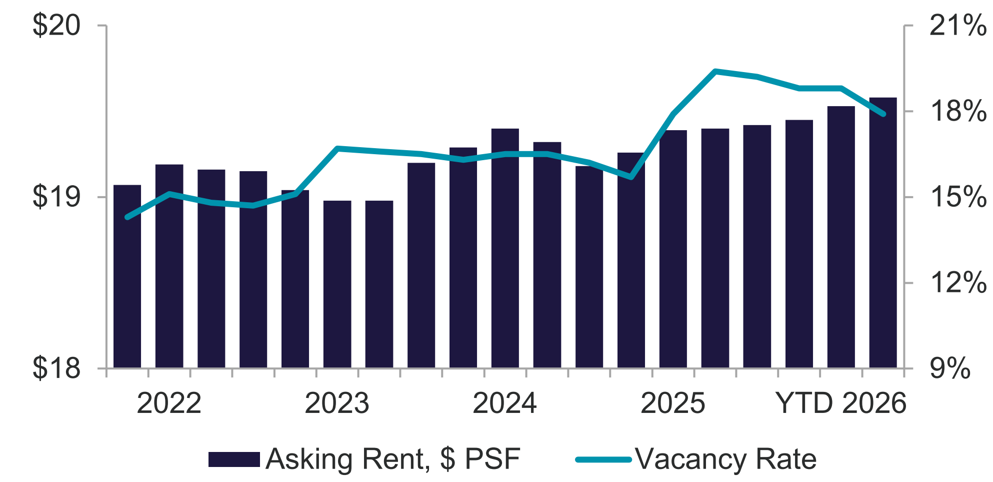
Economic development activity remained a key strength for the region. Louisville continued to benefit from ongoing business expansion initiatives, infrastructure investment, and major development projects that supported job creation and reinforced the area's long-term competitiveness. Regional leaders also highlighted Louisville's strong performance in employment growth, affordability, and overall economic fundamentals relative to many peer metropolitan areas.

Local investment activity remained encouraging during the quarter. Commercial development, healthcare expansion, construction projects, and logistics-related investments helped sustain economic momentum across the region. Construction and healthcare continued to be among the strongest contributors to employment and economic activity.

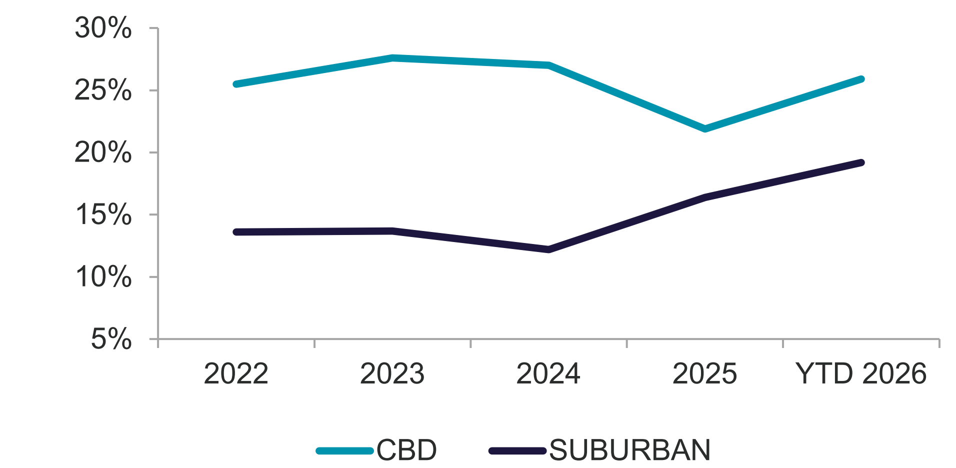
SPACE DEMAND / DELIVERIES



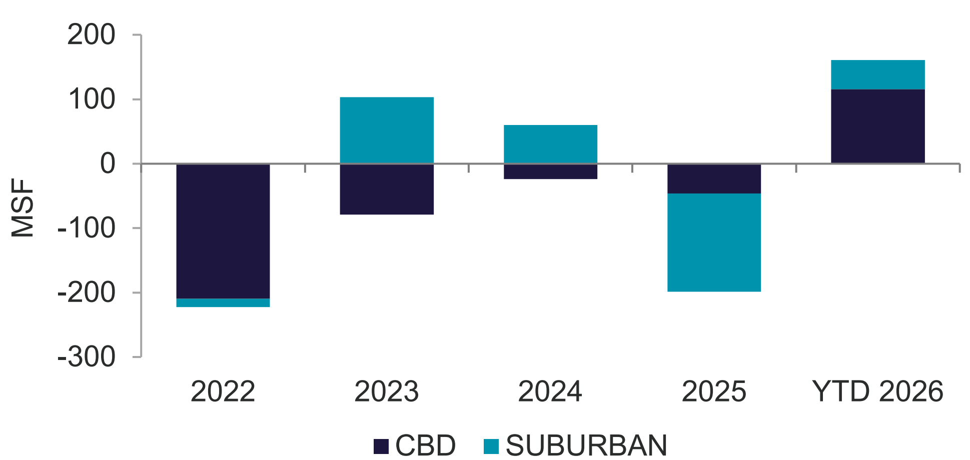
OVERALL VACANCY & ASKING RENT



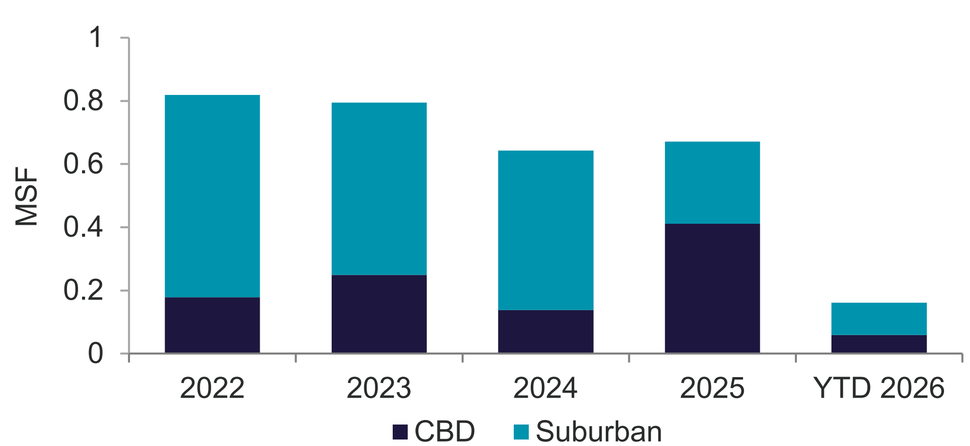
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

Downtown Louisville's office inventory contracted significantly in the second quarter, falling from 9,042,309 square feet (SF) to 8,214,851 SF. Humana Tower, Brown & Williamson Tower, the Grammercy Building and the Fireside Building were each removed from inventory as redevelopment projects converting these properties to non-office uses. This shift reflects meaningful progress toward urban redevelopment and a more effectively-sized office supply base.

Downtown activity delivered encouraging results in Q2, with both leasing and absorption trending positively. Leasing activity totaled 45,326 SF of new leases for the CBD, a 19,388-SF improvement over the 25,938 SF recorded in Q2 2025. Air Equipment Company's new lease at NuLu Yards and eBlu Solutions' expansion at Waterfront Plaza were the largest contributors to the quarter's activity. Absorption mirrored this positive momentum, with 116,705 SF of positive net absorption, a sharp reversal from the negative 64,586 SF recorded in Q2 2025. Yum! Brands' absorption of 74,667 SF provided a substantial boost to the quarter's occupancy gains.

Vacancy continued its positive trajectory across all classes. Class A vacancy declined from 27.1% in Q1 to 25.9% in Q2. Class B vacancy fell 70 basis points (bps), from 18.3% to 17.6%, and Class C vacancy dropped from 9.3% to 0.0%. Overall downtown vacancy fell sharply, from 22.2% to 20.8%, driven by strong positive absorption alongside inventory consolidation. Overall CBD asking rates showed only modest movement from Q1, easing slightly from $17.89 per square foot (PSF) to $17.79 PSF, while Class A rates increased from $20.15 PSF to $20.30 PSF.

SUBURBAN

Suburban leasing activity in Q2 remained consistent with the pace recorded for the past three consecutive quarters. New leasing activity landed at 58,702 sf, a slight drop from the 62,125 sf recorded in Q2 of 2025. Suburban absorption continues to remain positive, settling at 20,549 sf, a large improvement over the negative 251,843 sf of absorption in Q2 of last year.

Suburban vacancy rates continue to tighten with the overall rate dropping 10 bps from 16.1% in Q1 to 16.0% this quarter while the Class A rate decreased 30 bps from 19.5% in Q1 to 19.2% this quarter. Overall asking rates dropped slightly from $20.00 psf in Q1 to $19.95 this quarter and Class A rates dipped from $21.09 to $21.06.

OUTLOOK

- After multiple years of fairly stagnant sales activity, several large suburban office buildings have recently been sold, with more coming to market later this year. Flat rental rates and deferred capital maintenance costs could negatively weigh on pricing owners are able to achieve at sale.
- Office utilization and employee attendance has picked up noticeably in both downtown and suburban office properties alike. While remote work will continue to be part of most workplace strategies, in-office attendance has picked up significantly from the lows of the Covid-19 pandemic.
- Tenant improvement costs continue to escalate faster than the rate of rent growth, creating an economic imbalance in the leasing market for landlords and tenants alike in Class B and second generation Class A properties. Landlords need longer lease term length to recover TI costs whereas tenants increasingly are looking for shorter term deals to provide maximum operational flexibility.

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	8,214,851	0	1,705,362	20.8%	116,705	115,777	59,454	19,266	$17.79	$20.30
SUBURBAN TOTALS	11,598,334	29,713	1,820,753	16.0%	20,549	45,190	101,506	0	$19.95	$21.06
Old Louisville	400,438	0	30,148	7.5%	-30,148	-30,148	0	0	$14.00	N/A
Hurstbourne / Eastpointl	4,882,712	28,713	934,036	19.7%	28,841	38,218	65,547	0	$21.56	$21.93
Plainview / Middletown	1,351,252	0	240,990	17.8%	28,224	37,613	0	0	$17.81	N/A
Southeast	1,244,682	0	150,657	12.1%	0	-1,423	14,511	0	$19.99	$19.50
Northeast	939,726	1,000	44,932	4.9%	0	-12,255	4,821	0	$22.15	$22.15
St. Matthews	1,298,524	0	73,315	5.6%	-2,909	2,694	16,627	0	$17.73	$23.50
South Central	1,481,000	0	346,675	23.4%	-3,459	10,491	0	0	$17.88	$17.73
LOUISVILLE TOTALS	**19,813,185**	**29,713**	**3,526,115**	**17.9%**	**137,254**	**160,967**	**160,960**	**19,266**	**$19.03**	**$20.81**

**Rental rates reflect full service asking*

MARKET STATISTICS BY CLASS

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)*
Class At	9,320,734	29,713	2,227,134	23.0%	105,140	98,718	78,647	19,266	$20.81
Class B	9,798,926	0	1,589,768	16.0%	30,095	65,289	75,899	0	$17.00
Class C	693,525	0	15,179	2.0%	2,019	-3,040	6,414	0	$12.50

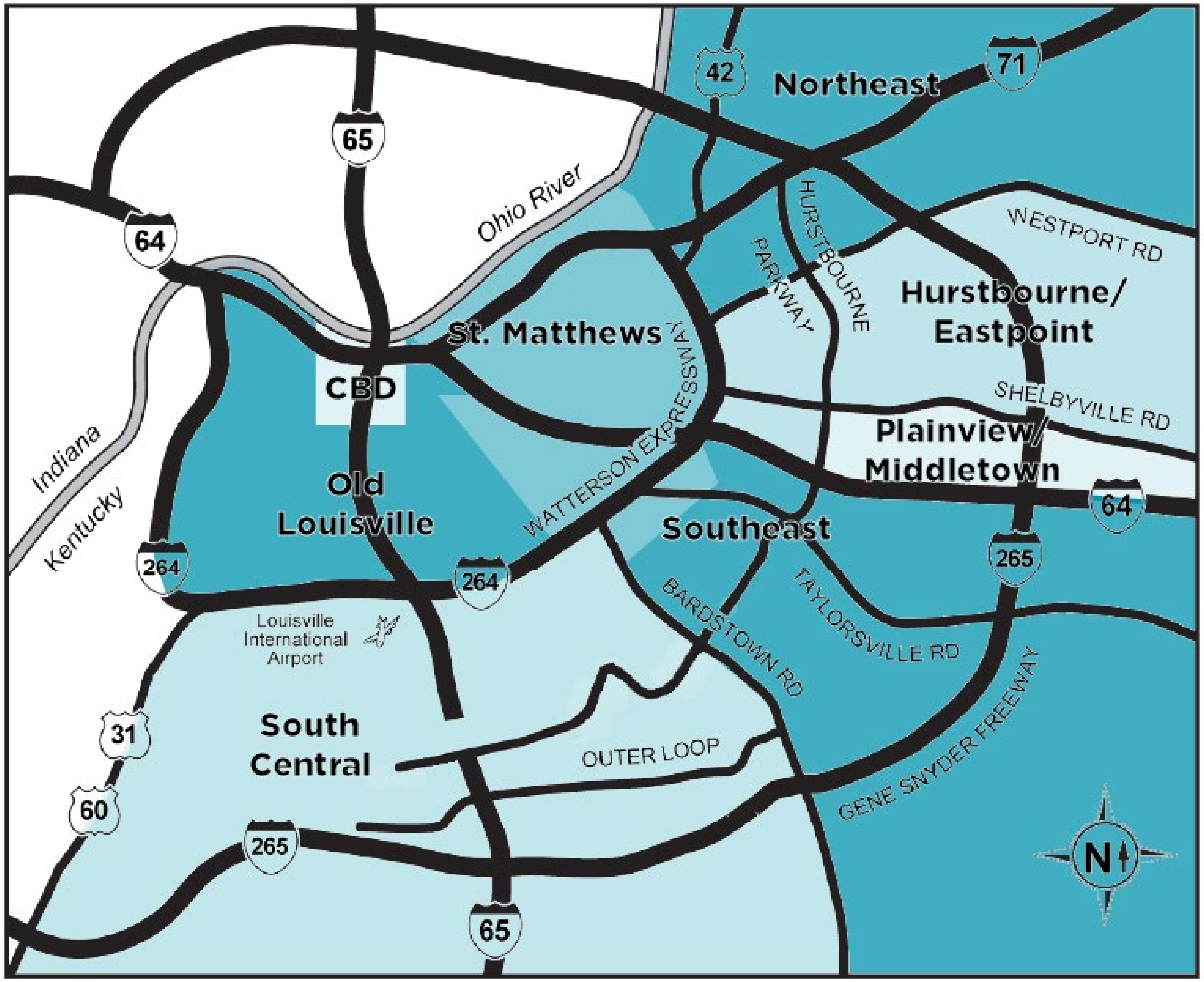
**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
750 East Jefferson Street	CBD	Air Equipment Company	20,400	New Lease
9410 Bunsen Parkway	Southeast	Wurth Industry	14,511	New Lease
325 West Main Street	CBD	Eblu Solutions	13,473	New Lease
500 North Hurstbourne Parkway	Hurstbourne / Eastpoint	LikeMarq	10,218	New Lease

**Renewals not included in leasing statistics*

OFFICE SUBMARKETS



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