

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
17.1% Vacancy Rate	▼	—
233.6K YTD Net Absorption, SF	▲	—
\$19.13 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
710.7K Louisville Employment	▼	▲
4.5% Louisville Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▼	▲

Source:BLS

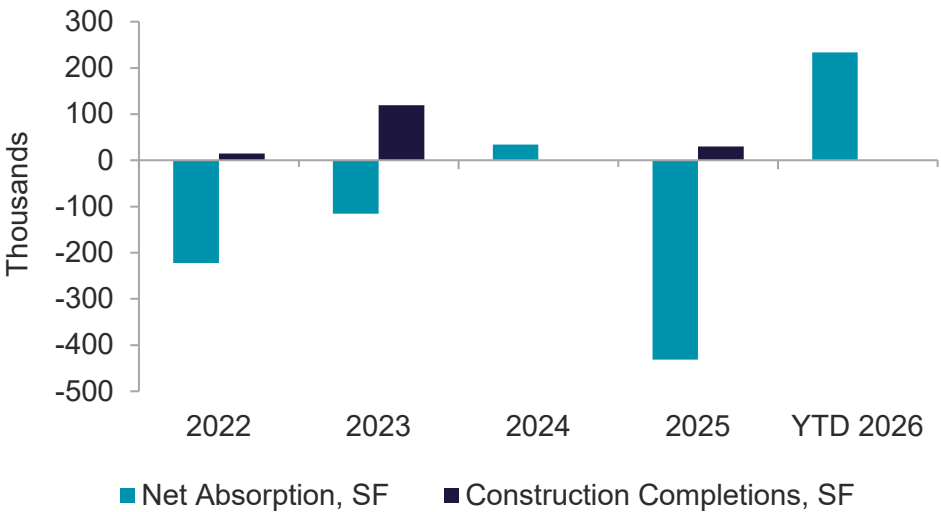
ECONOMIC OVERVIEW

During the third quarter of 2026, the U.S. economy showed notable resilience and remained on a positive trajectory despite ongoing international conflicts, including tensions affecting global energy markets and key trade routes. These geopolitical challenges created uncertainty abroad, yet U.S. businesses and consumers continued to support economic expansion. Economic growth remained solid, with forecasters expecting real U.S. GDP to expand at roughly a 2.1% annualized rate, reflecting healthy consumer demand, business investment, and a stable labor market. Inflation remains a concern with core PCE up 0.2% in August and 3.0% year over year, above the Federal Reserve’s long-run 2.0% target. In response, the Fed unanimously voted to increase its benchmark interest rate by 25 basis points (bps) in September, the first rate increase in three years.

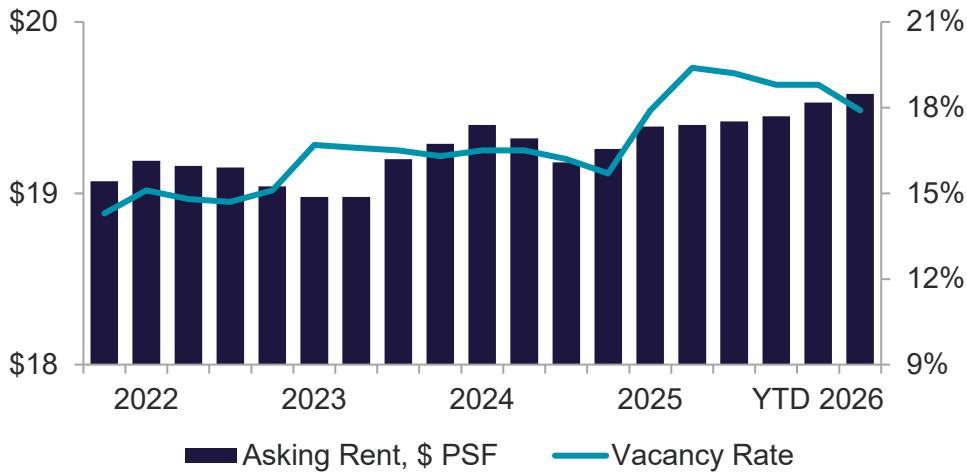
The Louisville area local labor market remains strong, with the seasonally adjusted unemployment rate in the Louisville-Jefferson County, KY-IN Metropolitan Statistical Area standing at 4.8% in July 2026. Economic development activity remained encouraging across the region, with critical capital investments in health care facilities, commercial construction, and infrastructure projects driving employment and strengthening Louisville’s long-term growth prospects.

Two of the most noteworthy investments came from two of Louisville’s largest employers. Ford Motor Company will invest \$1 billion in a new paint shop at their current truck plant and GE Appliances will likewise invest \$1 billion into production expansions at Louisville’s Appliance Park. Construction, business expansion, and technology-related projects contributed to capital spending throughout the metropolitan area. Overall, the third quarter highlighted a stable job market, ongoing development momentum, and sustained investment that positioned the Louisville economy for continued growth.

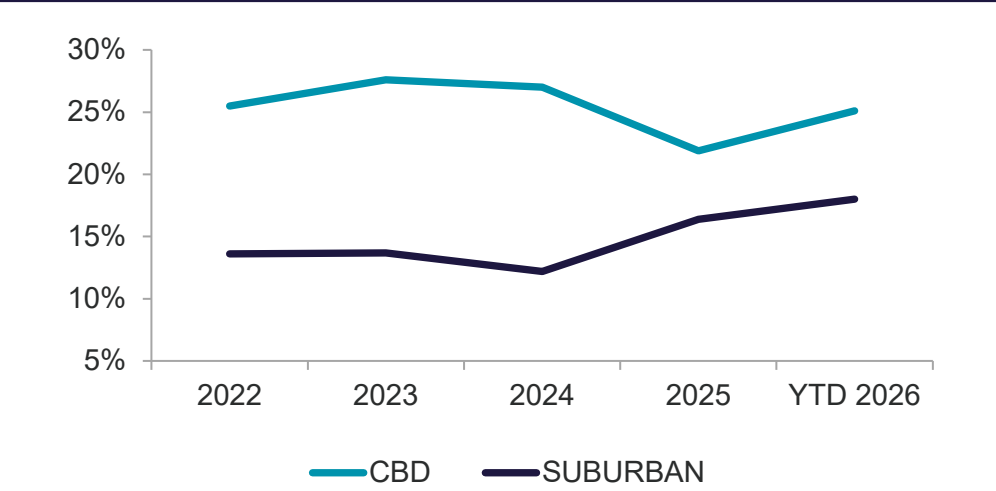
SPACE DEMAND / DELIVERIES



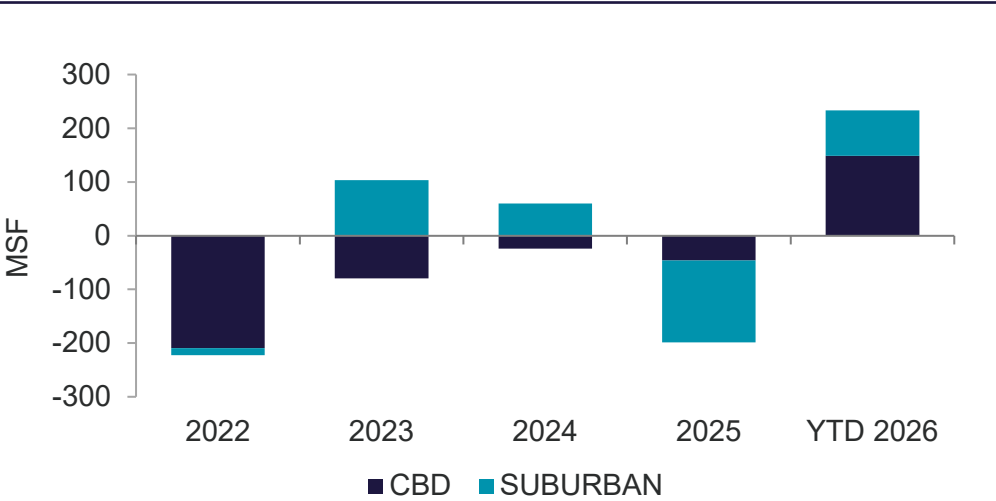
OVERALL VACANCY & ASKING RENT



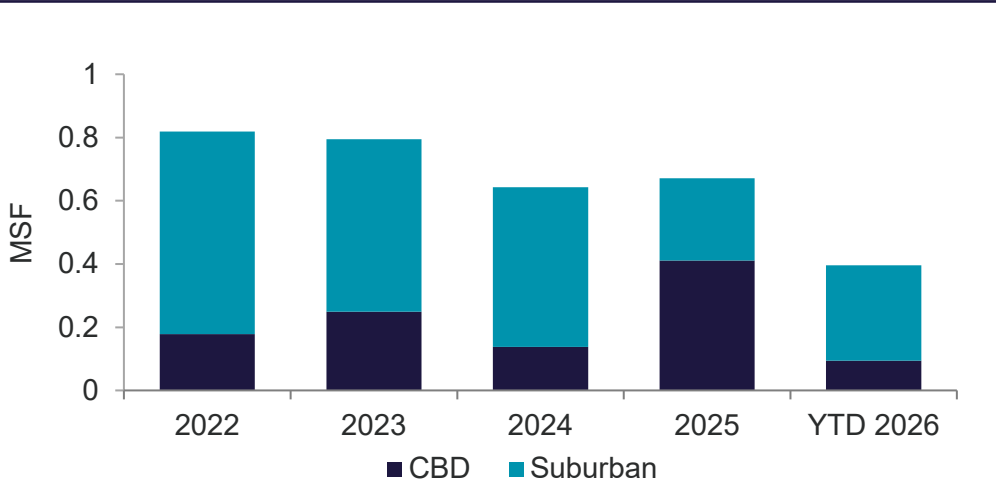
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

Downtown leasing activity totaled 35,494 square feet (sf), with 23,650 sf in Class A buildings and 11,844 sf in Class B buildings. While 2025’s third quarter boasted an extraordinary 263,827 sf of new leasing activity, the current quarter, while lower, reflects continued positive leasing momentum in the submarket. 500 West Jefferson booked another notable deal this quarter with the law firm O’Bryan, Brown & Toner leasing 18,930 sf on the 20th floor. Absorption continued its positive trajectory, totaling 33,039 sf — a marked improvement over the negative 2,929 sf posted in the prior-year period. Air Equipment Company’s 20,400-sf occupancy at 750 East Jefferson Street accounted for the majority of the submarket’s absorption.

The CBD’s vacancy continued to decline during the third quarter with Class A lowering 80 bps from 25.9% last quarter to 25.1% and Class B dipping 90 bps from 17.6% to 16.7%. The overall CBD vacancy decreased 90 bps from 20.8% to 19.9% with the most notable contributions including Air Equipment Company’s previously mentioned absorption as well as the removal of 315 West Muhammad Ali Boulevard from the inventory in preparation for conversion to residential use. Overall CBD asking rates increased modestly, with Class A advancing from \$20.30 per square foot (psf) to \$20.84 psf, while overall asking rents rose from \$17.79 psf to \$17.97 psf.

SUBURBAN

Suburban leasing activity accelerated sharply in the third quarter, recording 92,761 sf — outpacing each of the prior three quarters and nearly doubling the 51,468 sf posted in Q3 2025. Insuramax’s 13,329-sf lease at 13551 Triton Park Boulevard was the largest individual new lease recorded in the quarter. Suburban absorption closely tracked CBD levels, posting 38,316 sf. Absorption continued to outperform 2025, with the prior-year quarter reporting negative 17,366 sf. Wurth Industry’s 14,511-sf occupation at 9410 Bunsen Parkway contributed the most momentum to the quarter’s absorption.

Suburban vacancy rates experienced an overall compression of 80 bps throughout the quarter, decreasing from 16.0% to 15.2% with Class A dropping from 19.2% to 18.0% and Class B dipping from 13.9% to 13.5%. Overall asking rates edged higher to \$20.06 psf from \$19.95 psf the prior quarter, with Class A rates also advancing from \$21.06 psf to \$21.19 psf. Investment activity in Louisville’s suburban office properties continues to gain traction. Recent sales of 1601 UPS Drive to Steel Technologies and Wright Tower to Texas Roadhouse suggest predominantly vacant office properties are catching the eyes of user investors and occupiers as well-positioned investment opportunities. Those sales combined with well-located assets that are offered as cost-effective owner-user opportunities demonstrates the suburban office market is repositioning itself to be a meaningful investment prospect.

OUTLOOK

- The CBD trend of absorption by subtraction will allow stabilized, Class A office properties to steadily increase rental rates over the next 12 months.
- Increased activity in the suburban market will lead to steady positive absorption, most notably in the premier, Class A properties.
- Major office occupiers continue to capitalize on predominately vacant suburban office properties. In turn, suburban office owners are taking notice as an abundance of office real estate has come to market for sale.

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	8,169,128	0	1,626,600	19.9%	33,039	148,816	94,948	60,000	\$17.97	\$20.84
SUBURBAN TOTALS	11,599,441	31,240	1,728,173	15.2%	38,316	84,761	205,833	0	\$20.06	\$21.19
Old Louisville	400,438	0	30,148	7.5%	0	-30,148	30,148	0	N/A	N/A
Hurstbourne / Eastpointl	4,883,819	30,240	845,608	17.9%	34,358	73,637	112,166	0	\$21.83	\$22.32
Plainview / Middletown	1,351,252	0	246,444	18.2%	-7,400	32,159	1,946	0	\$18.27	\$23.00
Southeast	1,244,682	0	136,146	10.9%	14,511	13,088	26,228	0	\$20.00	\$19.50
Northeast	939,726	1,000	44,932	4.9%	0	-12,255	16,406	0	\$22.15	\$22.15
St. Matthews	1,298,524	0	78,220	6.0%	-3,153	-2,211	18,939	0	\$17.78	\$23.50
South Central	1,481,000	0	346,675	23.4%	0	10,491	0	0	\$17.87	\$17.70
LOUISVILLE TOTALS	19,768,569	31,240	3,354,773	17.1%	71,355	233,577	300,781	60,000	\$19.13	\$21.07

*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	9,321,841	31,240	1,877,740	23.0%	47,297	145,324	161,253	60,000	\$21.07
Class B	9,753,203	0	1,471,586	16.0%	23,365	90,600	131,554	0	\$17.13
Class C	693,525	0	5,447	2.0%	693	-2,347	7,974	0	\$12.50

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1140 Garvin Place	CBD	Kentucky College of Art & Design	30,148	New Lease
500 West Jefferson Street	CBD	O’Bryan Brown & Toner, LLC	18,930	New Lease
9920 Corporate Campus Drive	Hurstbourne / Eastpoint	Qk4	14,837	*Renewal
13551 Triton Park Boulevard	Hurstbourne / Eastpoint	Insuramax	13,329	New Lease
2305 River Road	CBD	Unknown	10,585	Sublease

OFFICE SUBMARKETS



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