

MARKET FUNDAMENTALS

	YOY Chg	Outlook
19.4% Vacancy Rate	▼	▲
-532K YTD Net Absorption, SF	▼	▬
\$18.90 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
721.1K Louisville Employment	▲	▲
4.8% Louisville Unemployment Rate	▲	▼
4.2% United States Unemployment Rate	▲	▲

Source: BLS

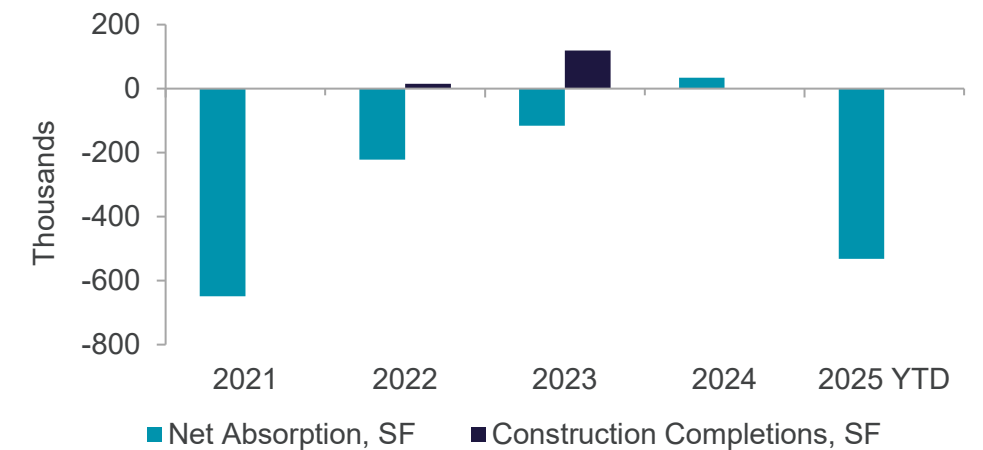
ECONOMIC OVERVIEW

Geopolitical conflict defined the second quarter of 2025. The Israel and Gaza conflict escalated in May with Israel launching over 900 airstrikes and reportedly killing Mohammad Sinwar, head of Hamas’ military wing. In June, Israel and Iran exchanged heavy rocket fire, with the United States directly participating in the conflict by dropping “bunker buster” bombs on three of Iran’s hardened nuclear enrichment sites.

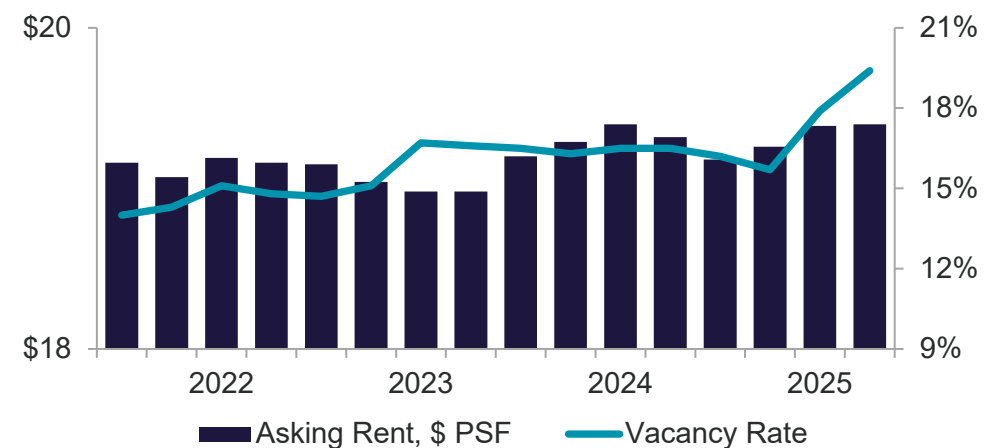
Despite economic and political uncertainty, the commercial real estate sector remains cautiously optimistic with many cities seeing modest rebounds. Concurrently, the passage and signing of the “Big Beautiful Bill” included several critical line items beneficial to commercial real estate investors, including preservation of 1031 “like-kind” exchanges and Gain-on-Sale rollovers, maintaining the business interest deduction for real property and making permanent the 20% deduction for qualified business income. Additionally, a weaker dollar along with the U.S.’s economic resilience and market diversity should allow for continued global capital investment. The Federal Reserve kept interest rates unchanged at its June 2025 meeting, leaving the effective federal funds rate steady at 4.33%. Gross Domestic Product (GDP) declined 0.2% for Q1 2025, performing better than the projected 0.3% decline.

Louisville continues to gain national attention as a place to watch for investors. With 54 projects in the development pipeline, SiteSelection has named Louisville as number six for two years in a row as a top metro for investments per capita. Louisville’s unemployment rate decreased from 4.7% to 4.3% in the first quarter, demonstrating continued strength and resiliency in the local economy. In news that should further bolster the local job outlook, General Electric/Haier announced that they were re-shoring production of washing machines from China to Louisville, which eventually will create up to 800 new jobs at Appliance Park. Finally, Governor Andy Beshear recently announced that 2024 marked the third straight record-breaking year for Kentucky tourism, with many thousands of visitors coming to Louisville to experience the Kentucky Bourbon Trail.

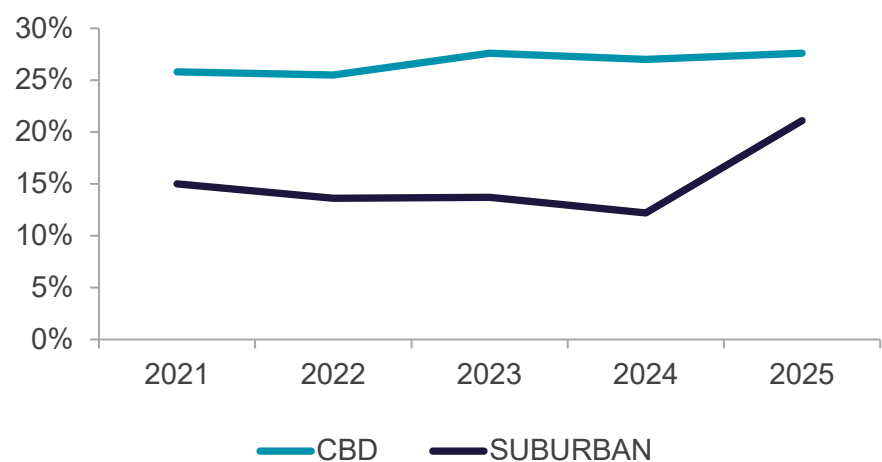
SPACE DEMAND / DELIVERIES



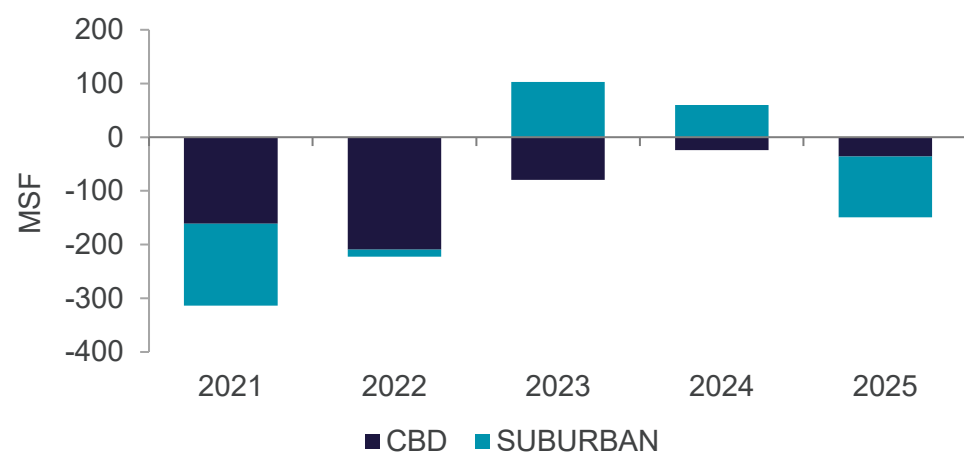
OVERALL VACANCY & ASKING RENT



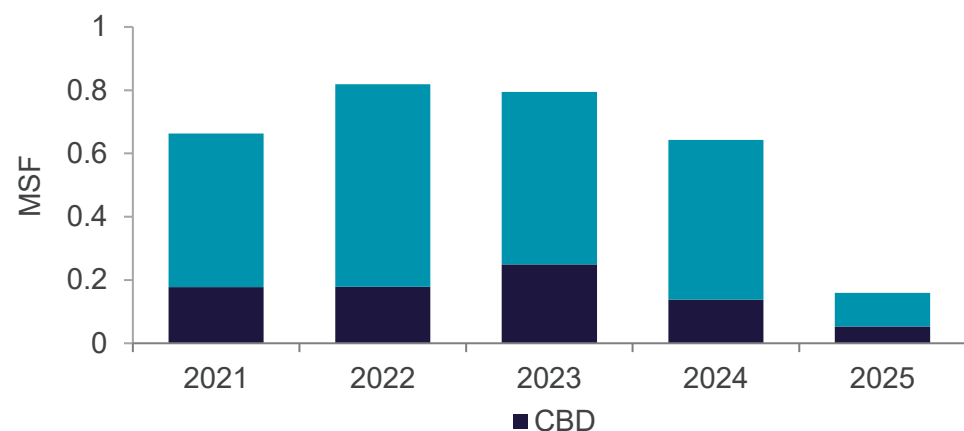
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

CBD leasing activity in the first quarter received a nice boost bringing in 25,938 sf of new leases compared to only 16,574 sf of leasing activity in Q2 of last year. CBD absorption landed at a negative 59,943 sf, a disappointing increase in negative absorption compared to Q2 2024's negative 16,472 sf. Class A and B had almost equal negative absorption with Class A ending at negative 36,268 sf and Class B totaling 23,675 sf. 462 South Fourth Street's re-calculation of absorption offset positive absorption brought in by 500W.

Downtown vacancy rates continue to hold steady. The second quarter ended at 22.5% vacant overall; Class A vacancy was a whopping 27.6%, up 0.6% from Q1 2025. Class B increased from 18.0% to 18.5% and Class C stayed the same at 9.3%. CBD rental rates dropped slightly with the overall rate decreasing from \$17.89 to \$17.72 and Class A rate declining from \$19.53 to \$19.49.

Local government incentives will remain a key factor in shaping the future of the CBD. Leasing activity and absorption, while remaining low, should stabilize. Additionally, some vacant office properties that contribute to the bulk of the CBD vacancy may be converted for potential multifamily or hospitality use - as the CBD office inventory changes, vacancy rates could decrease, potentially increasing rental rates over time.

SUBURBAN

Louisville's suburbs continue their slow start to the year, with only 62,125 sf of new leasing activity reported for Q2 2025. Year over year, new leasing activity is 78,718 sf lower than the reported amount for Q2 2024. Class A claimed 37,249 sf and Class B 24,876 sf of leasing activity. The Hurstbourne / Eastpoint submarket continues to lead in new leasing activity.

The suburban market recorded another rough quarter with 257,316 sf of negative absorption. 148,336 sf of this negative absorption was due to Humana's departure from the Forum buildings in the Hurstbourne / Eastpoint submarket. In response, the overall suburban vacancy rate rose from 14.8% to 17.0%. Class A suburban rents dropped marginally from \$21.78 to \$21.13.

OUTLOOK

- Efforts to revitalize downtown are underway and likely to produce results beyond 2025.
- Conversion of CBD office buildings to other uses will face stiff competition for state and city subsidy dollars from other new construction and renovation projects proposed across the metro area.
- The "flight to quality" for both new and existing downtown tenants will continue as older buildings struggle to upgrade amenities in an attempt to improve occupancy levels.
- Tourism will continue to dominate street-level activity within the Central Business District

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	8,939,857	23,145	1,989,229	22.5%	-59,943	-74,832	53,153	30,000	\$17.71	\$19.49
SUBURBAN	11,573,136	32,297	1,939,732	17.0%	-257,316	-457,183	105,821	0	\$19.99	\$21.12
Old Louisville	400,290	0	0	0.0%	0	0	0	0	N/A	N/A
Hurstbourne / Eastpoint	4,882,712	31,297	1,009,700	21.3%	-136,632	-324,515	65,192	0	\$21.52	\$21.96
Plainview / Middletown	1,344,752	0	280,910	20.9%	1,980	-15,500	12,205	0	\$17.92	N/A
Southeast	1,244,682	0	131,154	10.5%	-92,746	-101,838	1,876	0	\$19.15	\$20.00
Northeast	900,927	1,000	59,901	6.8%	-3,496	13,171	3,129	0	\$19.23	\$19.23
St. Matthews	1,357,839	0	139,967	10.3%	-847	-23,411	12,877	0	\$17.24	\$18.22
South Central	1,441,934	0	318,100	22.1%	-25,575	-5,090	10,542	0	\$17.99	\$18.05
LOUISVILLE TOTALS	20,512,993	55,442	3,928,961	19.4%	-317,259	-532,015	158,974	30,000	\$18.90	\$20.46

*Rental rates reflect full service asking

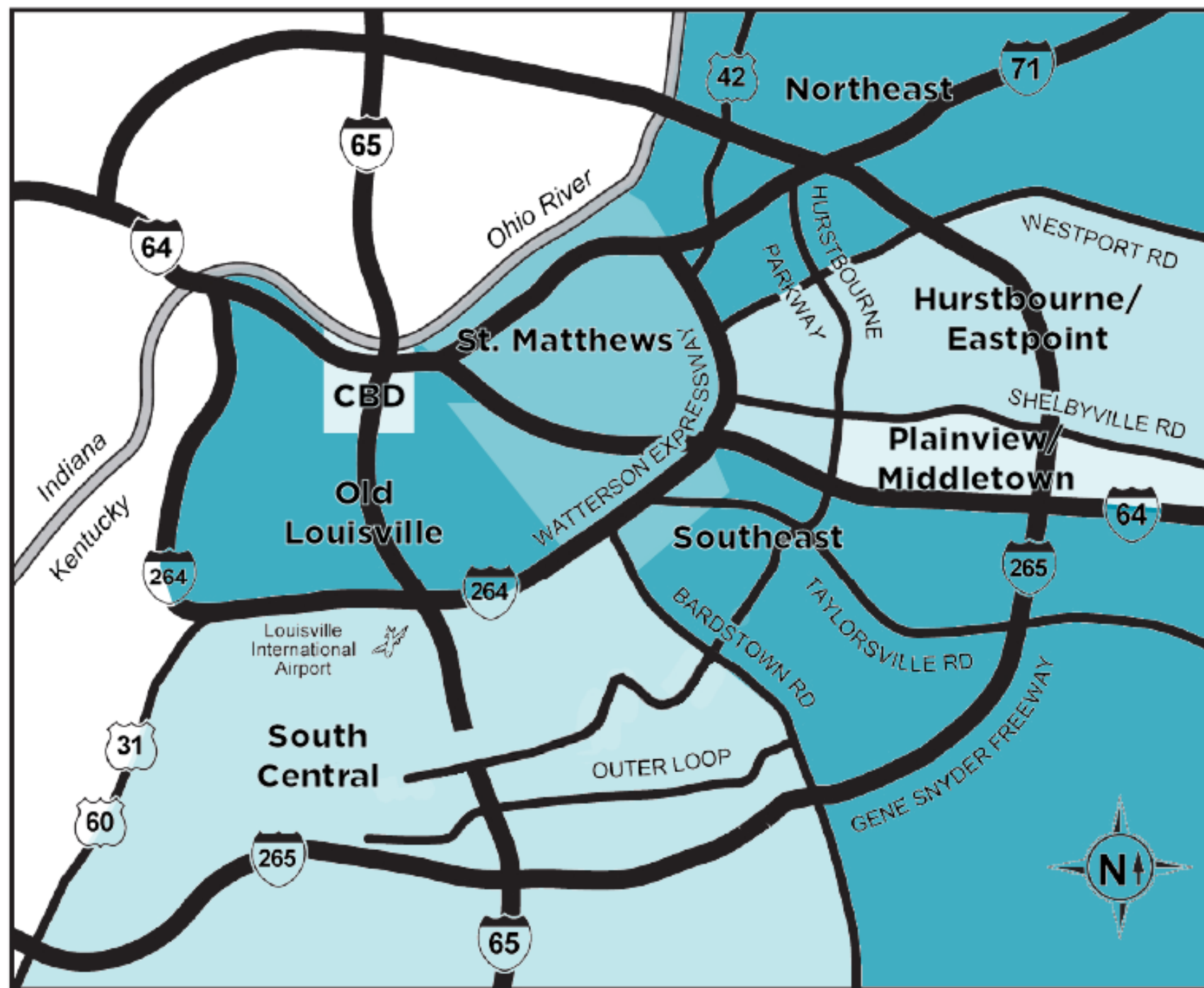
* Does not include renewals

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	10,038,936	36,227	2,341,039	23.7%	-181,722	-346,984	115,077	30,000	\$20.46
Class B	9,771,172	19,215	1,577,802	16.3%	-136,862	-186,356	42,572	0	\$16.77
Class C	702,885	0	10,120	1.4%	1,325	1,325	1,325	0	\$14.24

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
750 East Jefferson Street	Hurstbourne / Eastpoint	Unknown	11,810	Lease
10350 Ormsby Park Place	Hurstbourne / Eastpoint	Unknown	9,923	Lease
400 West Main Street	CBD	Unknown	7,935	Lease
9901 Linn Station Road	Plainview / Middletown	IPISC	7,700	Lease

OFFICE SUBMARKETS



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