

MARKET FUNDAMENTALS

	YOY Chg	Outlook
18.8% Vacancy Rate	▼	▲
-431K YTD Net Absorption, SF	▼	▬
\$18.95 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
724.4K* Louisville Employment	▲	▼
4.3%* Louisville Unemployment Rate	▼	▲
4.6%* United States Unemployment Rate	▲	▲

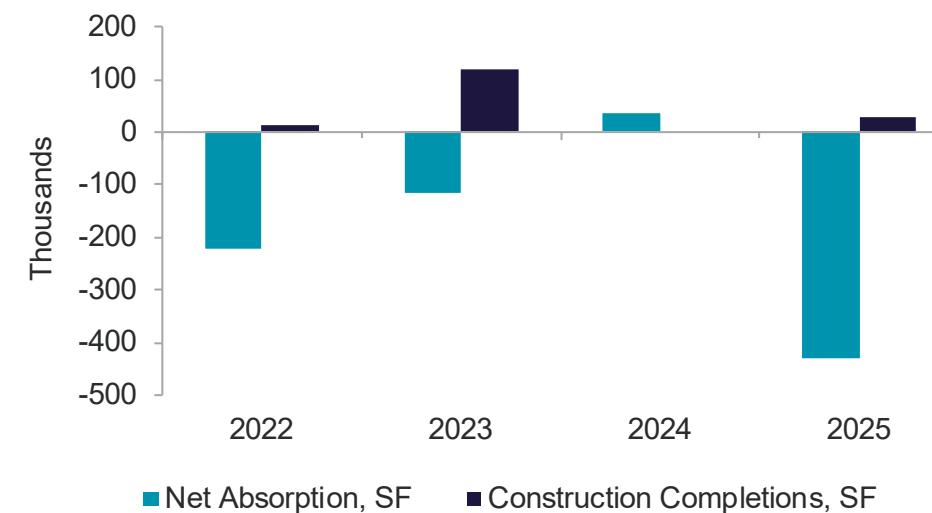
Source: BLS
*Due to the government shutdown, latest figures are from September 2025.

ECONOMIC OVERVIEW

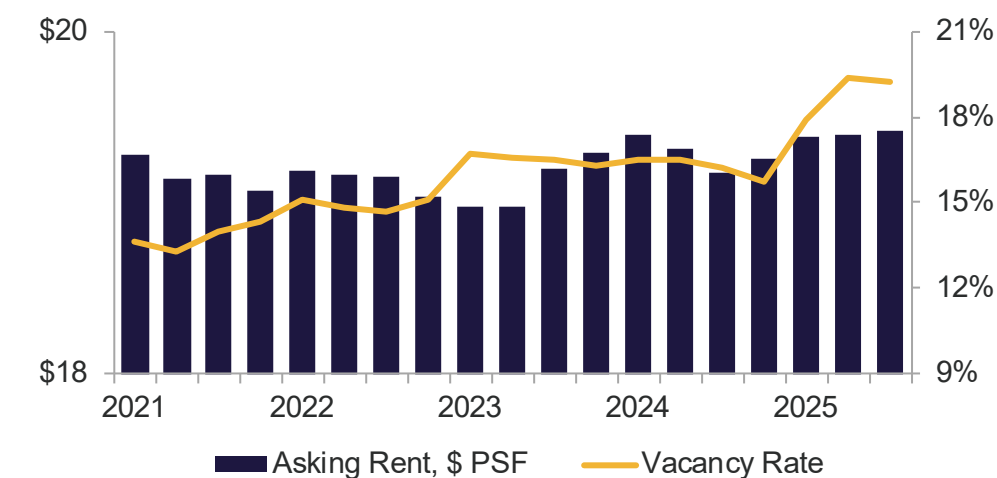
Despite global tensions, the U.S. economy entered the fourth quarter of 2025 with notable resilience. Worldwide geopolitical instability—including more than 110 active conflicts—continued to shape global markets, yet the U.S. remained comparatively steady amid these challenges. Economic performance showed encouraging signs: the Atlanta Fed’s GDPNow model projected 3.0% real GDP growth as of December 23, highlighting ongoing momentum and underlying economic strength. Inflation has continued to stay in the Federal Reserve’s target range at 2.8% displaying cooling price pressures and furthering economic stability. The Federal Reserve supported this environment by trimming the federal funds rate to a 3.5%–3.75% range, a step aimed at sustaining growth while balancing inflation considerations. Overall, the fourth quarter showcased a U.S. economy that continued to advance, benefiting from stronger price stability and steady expansion despite a complex global landscape.

Louisville’s local economy showed encouraging momentum in the fourth quarter of 2025, supported by steady employment conditions and ongoing regional development efforts. The metro area’s unemployment rate remained low, holding near 4.0% as of September, reflecting a stable labor market and strong workforce participation. Economic development indicators point to continued regional vitality. Building on a robust pipeline of 63 active projects representing an estimated \$3.3 billion in potential investment and more than 4,600 new jobs identified at the end of 2024, Louisville entered 2025 well positioned for sustained growth. Investment activity remained strong, with both business attraction and expansion efforts contributing to a diversified and resilient local economy. The region’s focus on innovation, industry diversity, and talent development helped reinforce confidence among investors and employers alike. Overall, Q4 2025 reflected a thriving Louisville economy marked by solid employment, active development, and forward-looking investment momentum.

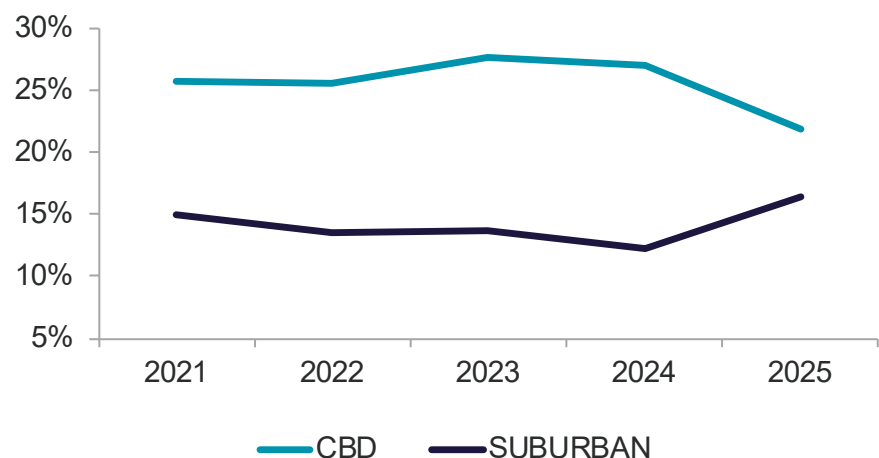
SPACE DEMAND / DELIVERIES



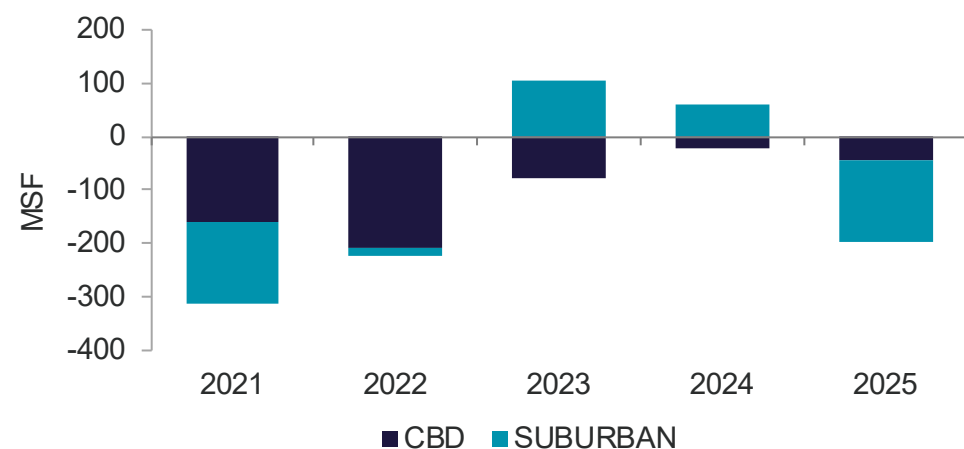
OVERALL VACANCY & ASKING RENT



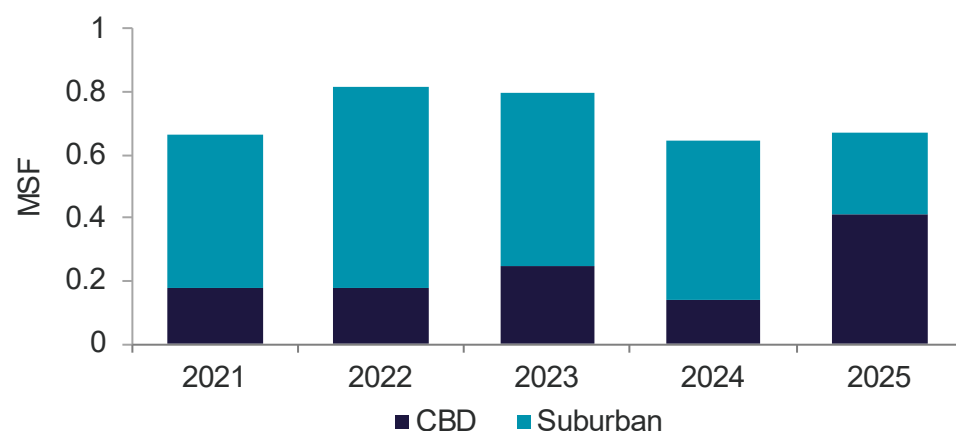
CLASS A OVERALL VACANCY RATES



CLASS A YTD OVERALL NET ABSORPTION



YTD LEASING ACTIVITY



CBD

Downtown Louisville ended 2025 strong with 411,600 square feet (sf) of year-to-date (YTD) leasing activity. An impressive third quarter, with 263,827 sf of new leasing activity, along with a more modest fourth quarter, 94,620 sf propelled this year-end total into the highest CBD YTD total accounted for in over five years. The uptick in leasing activity was highlighted by the announcement that Yum! Brands would relocate their 75,000-sf corporate offices from the suburbs to PNC Tower on Main Street. The move by Yum! Brands by one of Louisville's most significant companies lends tremendous credibility to the CBD office market, which has seen its share of departures by other high-profile tenants in recent years. Downtown absorption ended the year at negative 17,130 sf, the lowest amount of negative absorption seen in over five years. Both of these year-end figures reveal a strong period of growth downtown and suggest that there is real momentum building to propel the CBD market forward in 2026.

Downtown vacancy rates ended the year at 21.9% overall, a 50-basis point (bps) decrease from the third quarter, and a 10-bps decrease from the start of 2025. Class A vacancy dropped to 26.9% in the fourth quarter from 27.5% in the third quarter and Class B dropped from 18.6% to 18.1%. Overall CBD rental rates increased slightly from \$17.67 per square foot (psf) last quarter to \$17.82 psf this quarter with Class A following suite at \$19.53 psf last quarter to \$20.00 psf to end 2025.

SUBURBAN

For the first time in a long time, suburban leasing activity ended 2025 with less impressive numbers than the CBD. YTD new leasing activity totaled 259,314 sf, an amount that is roughly half of the YTD activity recorded annually in the years 2020-2024. The fourth quarter of 2025 posted the best quarterly numbers with 98,809 sf of new leasing activity. Despite the 52,280 sf of fourth quarter absorption, YTD suburban absorption concluded with a disappointing negative 413,885 sf of absorption. Anthem and Humana allowed their leases to expire at two large, open floorplate properties at the beginning of the year, totaling 292,878 sf. These departures within the first and second quarters contributed to a rough first half of 2025 that would be difficult to recover from even with the posted moderate third and fourth quarters.

Suburban vacancy rates finished 2025 at 16.4%, a decrease of 30 bps from the previous quarter's 16.7%. Since starting the year, the overall suburban vacancy rate has increased from 14.8% to 16.4%, mostly due to the large departures within the first and second quarters. Class A vacancy rate also fluctuated throughout the year starting at 18.5% in the first quarter to 19.7% in the fourth quarter. Overall suburban asking rates slipped ever so slightly over the course of 2025, starting at \$19.99 psf in Q1 and landing at \$19.94 psf this quarter. Class A rates show a similar slightly weakening trend, starting the year at \$21.26 psf and concluding at \$21.06 psf.

OUTLOOK

- The Yum! Brands lease at PNC Tower is a massive endorsement of the CBD and should lend credibility for other occupiers considering locating downtown.
- Leases that were downsized at the height of the Covid pandemic are starting to expire, and some occupiers currently in the market are looking to expand their footprints to accommodate an increasing number of employees returning to the office full time.
- The uptick in suburban vacancy came largely from occupiers leaving older properties that may be difficult to backfill at economically competitive rates. Similar to the trend in the CBD market, look for some limited amount of Class B suburban office space to be taken offline or converted for other uses.

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	9,042,309	0	1,983,780	21.9%	65,274	-17,130	411,600	19,266	\$17.82	\$20.00
SUBURBAN	11,559,387	32,297	1,861,739	16.4%	56,280	-413,885	259,314	101,200	\$19.94	\$21.06
Old Louisville	400,290	0	0	0.0%	0	0	0	0	N/A	N/A
Hurstbourne / Eastpoint	4,882,712	31,297	974,905	20.6%	30,458	-290,953	137,717	0	\$21.49	\$21.94
Plainview / Middletown	1,351,252	0	267,221	19.8%	-5,200	-5,044	48,523	0	\$17.88	N/A
Southeast	1,244,682	0	153,761	12.4%	1,972	-134,425	3,848	0	\$19.20	\$19.50
Northeast	900,927	1,000	32,677	3.7%	21,171	40,395	28,549	101,200	\$20.13	\$20.13
St. Matthews	1,298,524	0	76,009	5.9%	7,879	-18,768	25,321	0	\$17.04	\$23.50
South Central	1,481,000	0	357,166	24.1%	0	-5,090	15,356	0	\$17.94	\$17.95
LOUISVILLE TOTALS	20,601,696	32,297	3,845,519	18.8%	121,554	-431,015	670,914	120,466	\$18.95	\$20.65

*Rental rates reflect full service asking

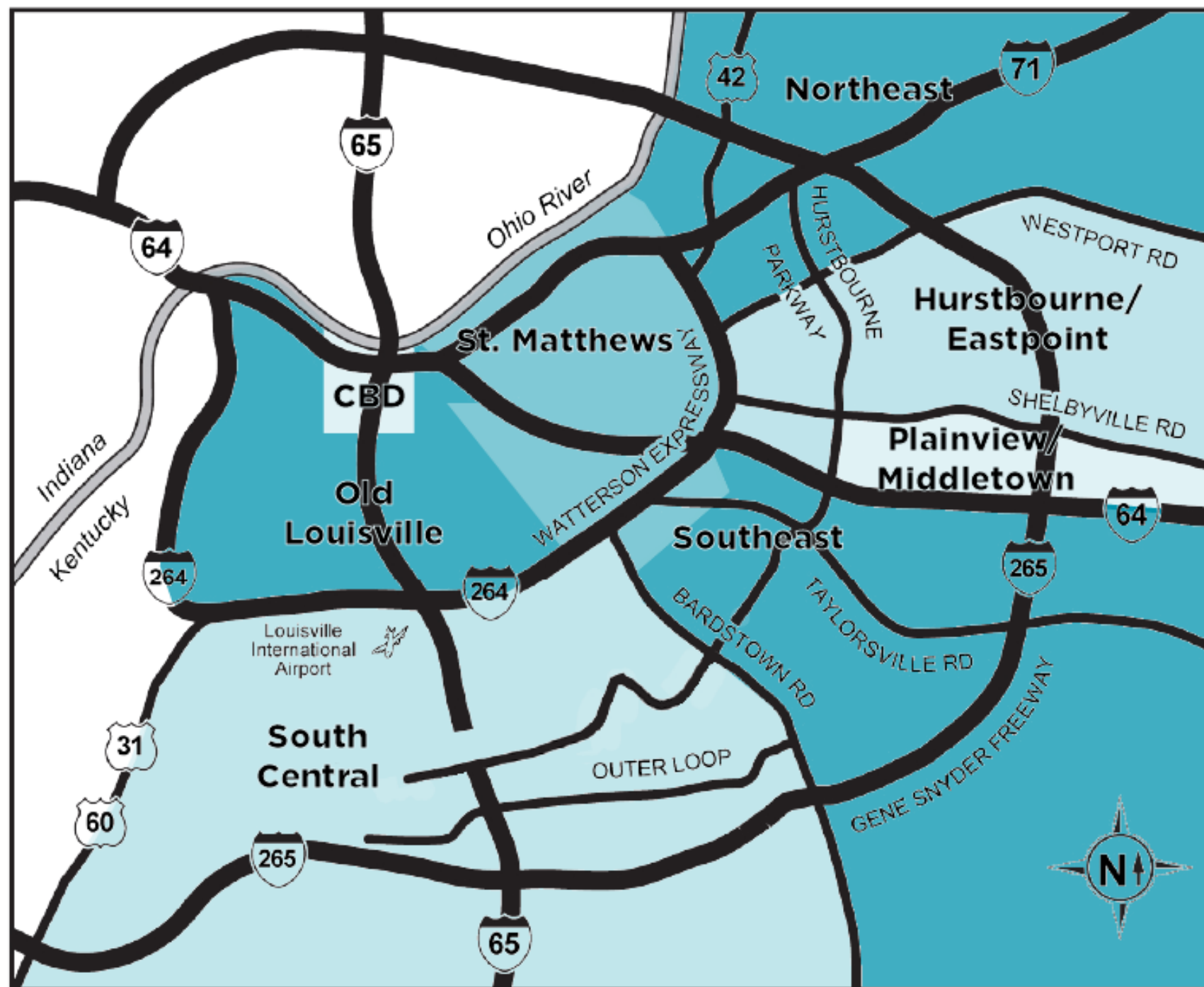
* Does not include renewals

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	10,034,305	32,297	2,230,386	22.5%	100,527	-233,863	522,208	120,466	\$20.65
Class B	9,864,506	0	1,605,013	16.3%	21,027	-198,477	141,181	0	\$16.73
Class C	702,885	0	10,120	1.4%	0	1,325	7,525	0	\$14.24

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
101 South Fifth Street	CBD	PNC	78,000	Renewal
101 South Fifth Street	CBD	Yum! Brands	74,667	Lease
10401 Linn Station Road	Plainview / Middletown	Undisclosed	22,764	Lease
4801 Olympia Park Plaza	Northeast	Homecare Homebase	13,485	Renewal
10350 Ormsby Park Place	Hurstbourne / Eastpoint	Actalent Services	12,300	Lease

OFFICE SUBMARKETS



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