

FIGURES | LOUISVILLE OFFICE | Q4 2025

Record negative net absorption in 2025, but trend reverses in Q4

▼ 23.3%
Vacancy Rate

▲ 11,392
SF Net Absorption

▼ 0
SF Construction Delivered

▶ 0
SF Under Construction

▲ \$18.94
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

Marketwide vacancy decreased 10 basis points to 23.3%

–CBD Class A vacancy decreased 50 basis points to 33.0%

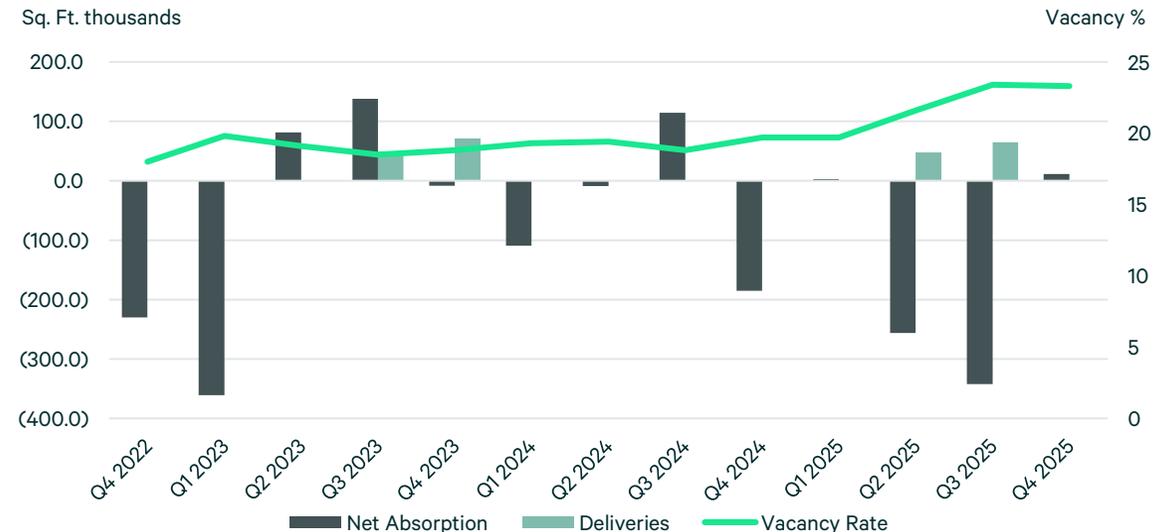
–Suburban Class A vacancy increased 60 basis points to 20.0%

–CBD Class A average asking lease rate declined \$0.06 per sq. ft. to \$18.88 per sq. ft.

–Suburban Class A average asking lease rate increased \$0.14 per sq. ft. to \$22.20 per sq. ft.

The Louisville office market ended the year on a positive note with strong leasing activity of 292,607 sq. ft., positive net absorption of 11,392 sq. ft. and a slight decrease in marketwide vacancy to 23.3%. It was a tough year with negative net absorption of 583,856 sq. ft., which marks the largest negative amount recorded in a calendar year. On a positive note, the marketwide availability rate declined 50 bps to 24.0% and the amount of available sublease has decreased to just under 233,000 sq. ft., which is 20% lower than one year ago. The overall average asking lease rate remained relatively unchanged at \$18.94 per sq. ft.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

Vacancy

Vacancy held fairly steady across most submarkets with the overall CBD declining by 30 bps to 28.3%. The Class A sector of the CBD recorded a 50 bps decrease to 33.0%, while the Class B CBD sector increased 20 bps to 25.5%. The Suburban submarkets held steady at 19.4% with the Class A sector increasing by 60 bps to 20.0% and the Class B sector improving by 70 bps to 19.0% for the quarter. In the Hurstbourne Parkway/Shelbyville Road submarket, Farm Credit Mid-America vacated their 55,000-sq.-ft. building at 1601 UPS Drive when they moved into their newly expanded building at 12501 Lakefront Place in the East County submarket. This new offering contributed to a substantial increase in the Class A sector of the Hurstbourne submarket of 200 bps to 18.9%. The largest decline in any sector took place in the St. Matthews Class A sector with a 250 bps decrease to 4.7%, which was helped by a 13,500 sq. ft. lease to a confidential tenant.

Asking Rent

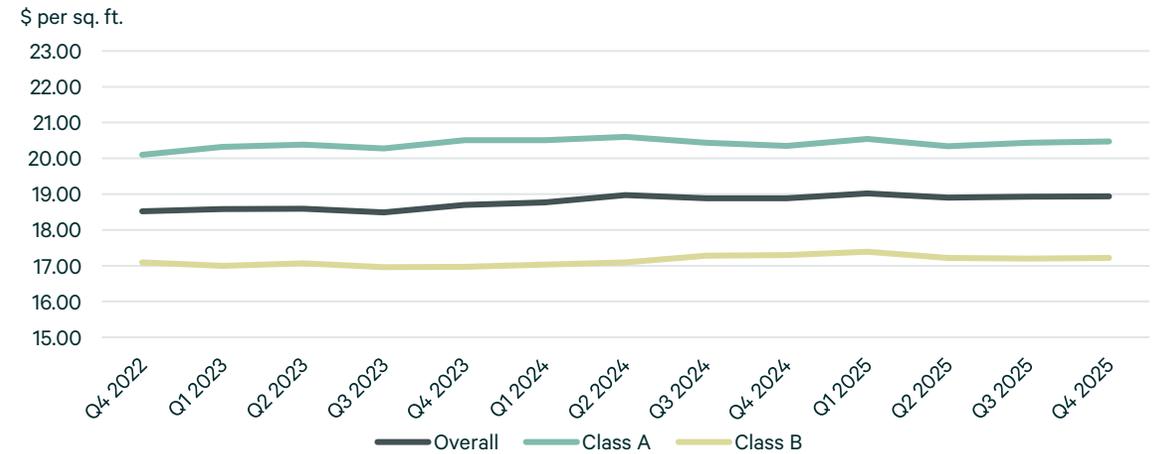
The CBD Class A average asking lease rate declined \$0.06 per sq. ft. to \$18.88 per sq. ft. and the Class B CBD sector remained largely unchanged to end the year at \$16.07 per sq. ft. The average asking lease rate for Suburban Class A properties increased by \$0.14 per sq. ft. to \$22.20 per sq. ft. and the Suburban Class B sector added \$0.06 per sq. ft. to \$18.22 per sq. ft. The overall average asking lease rate for the Suburban sector ended the year with an \$0.08 per sq. ft. increase to \$20.28 per sq. ft.

FIGURE 2: Vacancy Rates by Class



Source: CBRE Research, Q4 2025

FIGURE 3: Avg. Direct Asking Rate (FSG/YR) by Class



Source: CBRE Research, Q4 2025

Net Absorption

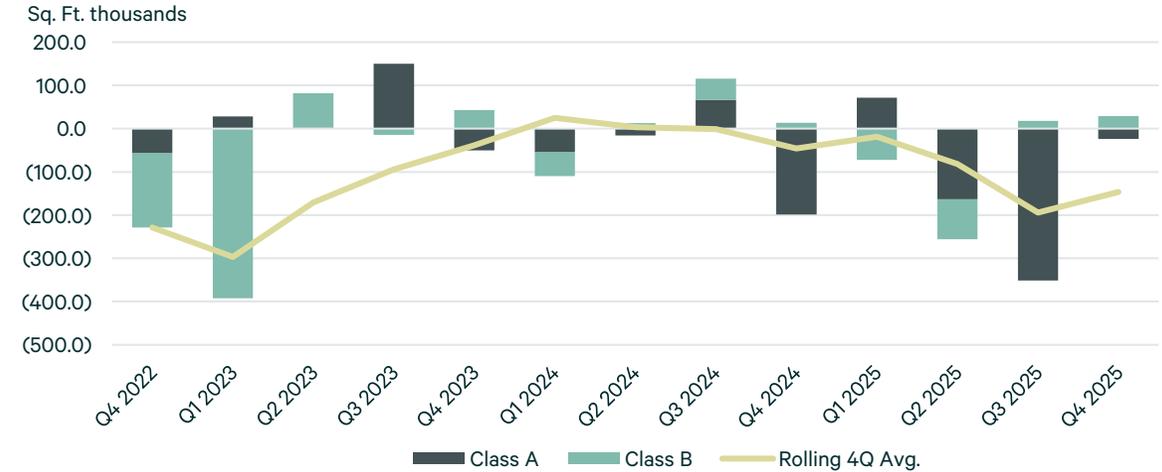
Net absorption in the CBD was affected by new activity by Champlin | EOP Architects and other new leases totaling over 15,000 sq. ft. in CBD Class A properties, as well as new vacancies by totaling over 4,000 sq. ft. in Class B properties. The Class A CBD sector recorded 15,457 sq. ft. of positive net absorption, while the Class B CBD sector posted negative net absorption of 4,180 sq. ft. The overall CBD net absorption total was positive 11,277 sq. ft. for the quarter.

The Suburban submarkets were a mixed bag for net absorption in the quarter. The Hurstbourne Parkway/Shelbyville Road submarket reported a large divergence between the Class A and Class B sectors with Class A posting negative 60,357 sq. ft. and Class B recording 45,713 sq. ft. of positive net absorption. In the Class B Hurstbourne Parkway/Shelbyville Road submarket, a new 10,000 sq. ft. lease by Regus at 10200 Linn Station Road and an owner expansion of 15,000 sq. ft. by Delta Dental at 10100 Linn Station Road contributed to positive net absorption. The following transactions also contributed to the positive new absorption in the Suburban submarkets: 1) an expansion by Dealer Trade Network in the East County submarket of 6,380 sq. ft., 2) a lease of 9,346 sq. ft. by Commonwealth Eye surgery in the Hurstbourne Parkway/Shelbyville Road submarket, 3) a 12,300 sq. ft. lease by Actalent, in the Hurstbourne Parkway/Shelbyville Road submarket, and 4) a 13,524 sq. ft. move by a confidential tenant in the St. Matthews submarket. The overall marketwide net absorption for the quarter was positive 11,392 sq. ft.

Construction Activity

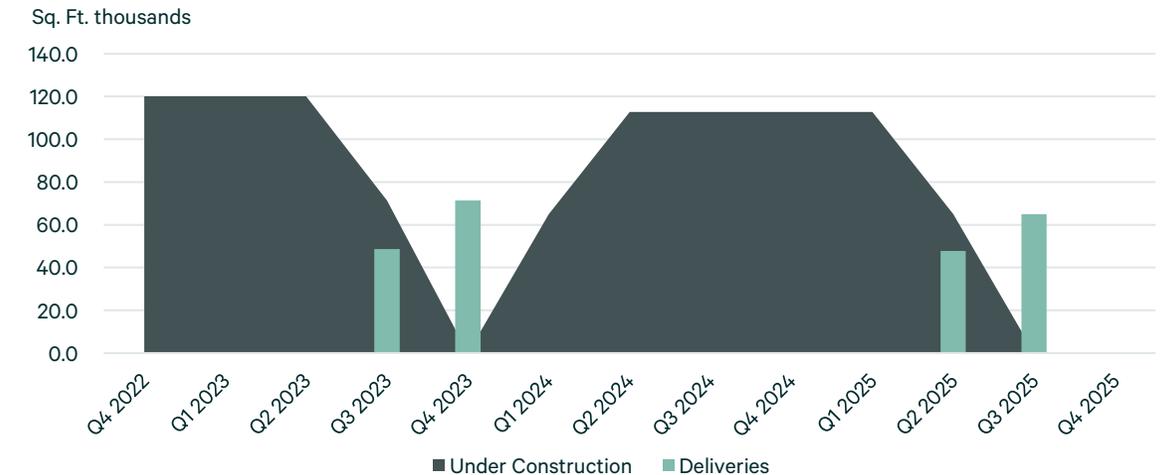
Farm Credit Mid-America completed construction of a 140,000-sq.-ft. headquarters expansion in the East County submarket, which was the only office building under construction in the market. While new office development has faced significant headwinds due to high construction and labor costs coupled with a tight lending environment, the future is looking brighter. New office developments will be underway soon, such as the multi-phase 260,000-sq.-ft. Chamberlain Woods office project in the I-71/Brownsboro Road submarket, slated to begin construction in the next few months, and the mixed use NuLu Marketplace North project which will contain approximately 50,000 sq. ft. where site work has recently commenced.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

FIGURE 5: Construction Activity

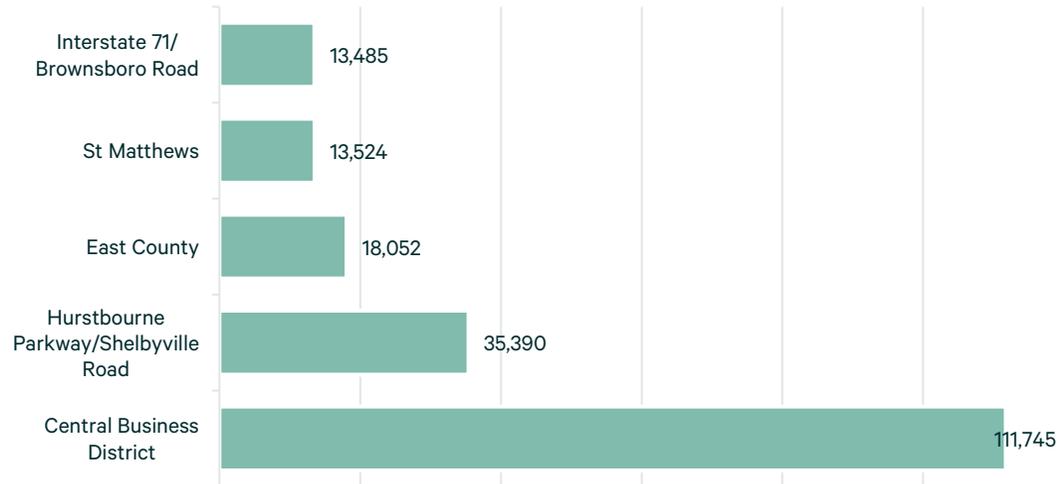


Source: CBRE Research, Q4 2025

Leasing Activity

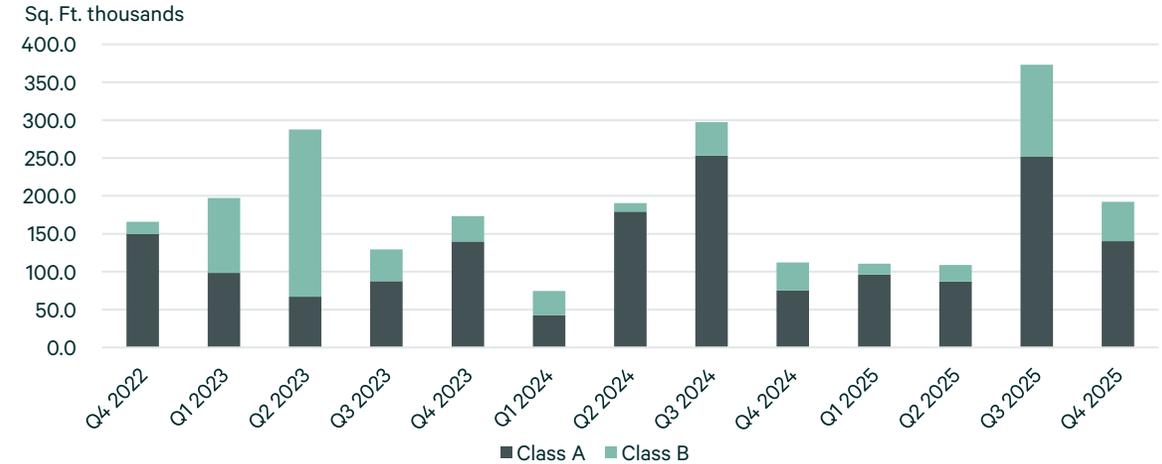
Leasing activity in the fourth quarter was strong with 292,607 sq. ft. recorded marketwide. Fourth quarter leasing activity was slightly above the first and second quarters of 2025 with 226,594 sq. ft. and 236,481 sq. ft. respectively, but lower than third quarter’s 409,730 sq. ft. 2025 recorded an annual total of 1,165,412 sq. ft., which was higher than both 2023 (1,147,479 sq. ft.) and 2024 (1,061,362 sq. ft.) Renewals and new leases in the CBD resulted in 142,293 sq. ft. of activity. The Hurstbourne Parkway/Shelbyville Road submarket recorded the second highest volume of leasing activity in the quarter with 84,420 sq. ft., followed by the East County submarket with 29,796 sq. ft. There are pending transactions of significant size that will impact the market in early 2026.

FIGURE 6: Leasing by Submarket – 10,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – 10,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Onco360	18,052	New Lease	13405 Eastpoint Centre Dr	East County
Confidential	13,524	New Lease	4500 Bowling Blvd	St Matthews
Homecare Homebase	13,485	Renewal	4801 Olympia Park Plz	Interstate 71/Brownsboro Road
Actalent	12,300	New Lease	10350 Ormsby Park Pl	Hurstbourne Parkway/Shelbyville Road
Regus USA	10,000	New Lease	10200 Linn Station Rd	Hurstbourne Parkway/Shelbyville Road

Source: CBRE Research, Q4 2025

Market Statistics by Index

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
SUBURBAN										
Class A	6,239,590	20.0	22.8	20.3	2.4	22.20	(39,479)	(247,480)	0	0
Class B	4,934,762	19.0	21.4	21.1	0.3	18.22	33,335	(154,060)	0	0
Class C	272,722	11.7	11.7	11.7	0.0	15.04	6,259	(2,375)	0	0
Total	11,447,074	19.4	21.9	20.4	1.5	20.28	115	(403,915)	0	0

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
DOWNTOWN										
Class A	4,603,999	33.0	29.3	29.3	0.0	18.88	15,457	(219,718)	0	0
Class B	3,690,963	25.5	26.5	24.7	1.8	16.07	(4,180)	35,477	0	0
Class C	616,590	10.5	10.5	10.5	0.0	13.04	0	4,300	0	0
Total	8,911,552	28.3	26.8	26.1	0.7	17.60	11,277	(179,941)	0	0

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
METRO										
Class A	10,843,589	25.5	25.5	24.1	1.4	20.47	(24,022)	(467,198)	0	0
Class B	8,625,725	21.8	23.6	22.6	0.9	17.22	29,155	(118,583)	0	0
Class C	889,312	10.9	10.9	10.9	0.0	13.70	6,259	1,925	0	0
Total	20,358,626	23.3	24.0	22.9	1.1	18.94	11,392	(583,856)	0	0

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Central Business District	8,911,552	28.3	26.8	26.1	0.7	17.6	11,277	(179,941)	0	0
Central Louisville	758,765	17.4	21.4	21.4	0.0	18.46	(10,904)	40,582	0	0
East County	2,482,585	18.0	18.6	18.0	0.5	21.92	10,048	(117,944)	0	0
Hurstbourne Parkway/Shelbyville Road	5,123,948	21.6	24.4	22.3	2.0	20.25	(14,644)	(296,386)	0	0
Interstate 71/ Brownsboro Road	763,024	9.8	15.9	10.1	5.8	23.91	0	(2,843)	0	0
South	1,478,269	25.4	28.8	28.3	0.5	18.79	3,564	(46,731)	0	0
St Matthews	840,483	9.6	10.5	10.5	0.0	19.37	12,051	19,407	0	0
Total	20,358,626	23.3	24.0	22.9	1.1	18.94	11,392	(583,856)	0	0

National Economic Overview

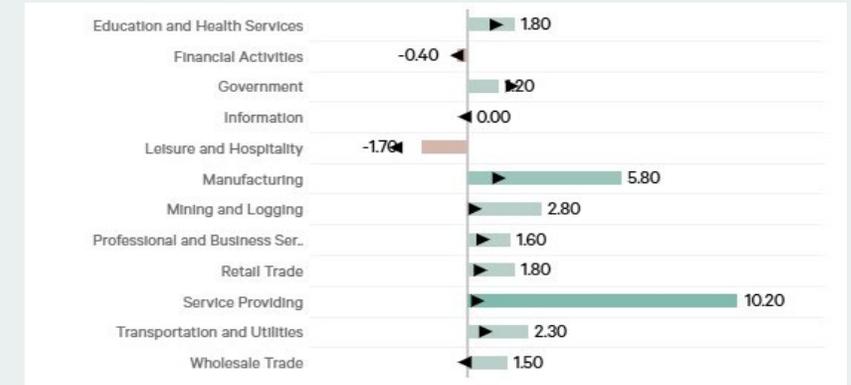
The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

Louisville, KY Employment Update

- ▶ 4.0%
Unemployment Rate
- ▶ 0.7M
Labor Force
- ▲ 144.1k
Office Using Jobs
- ▲ 253.4k
Industrial Using Jobs
- ▲ 102.6k
Retail Using Jobs

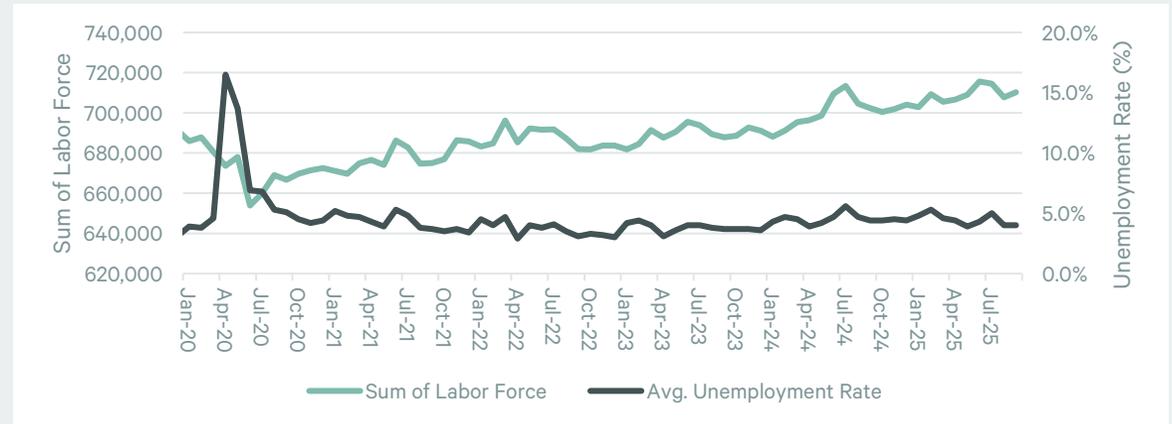
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS, September 2025

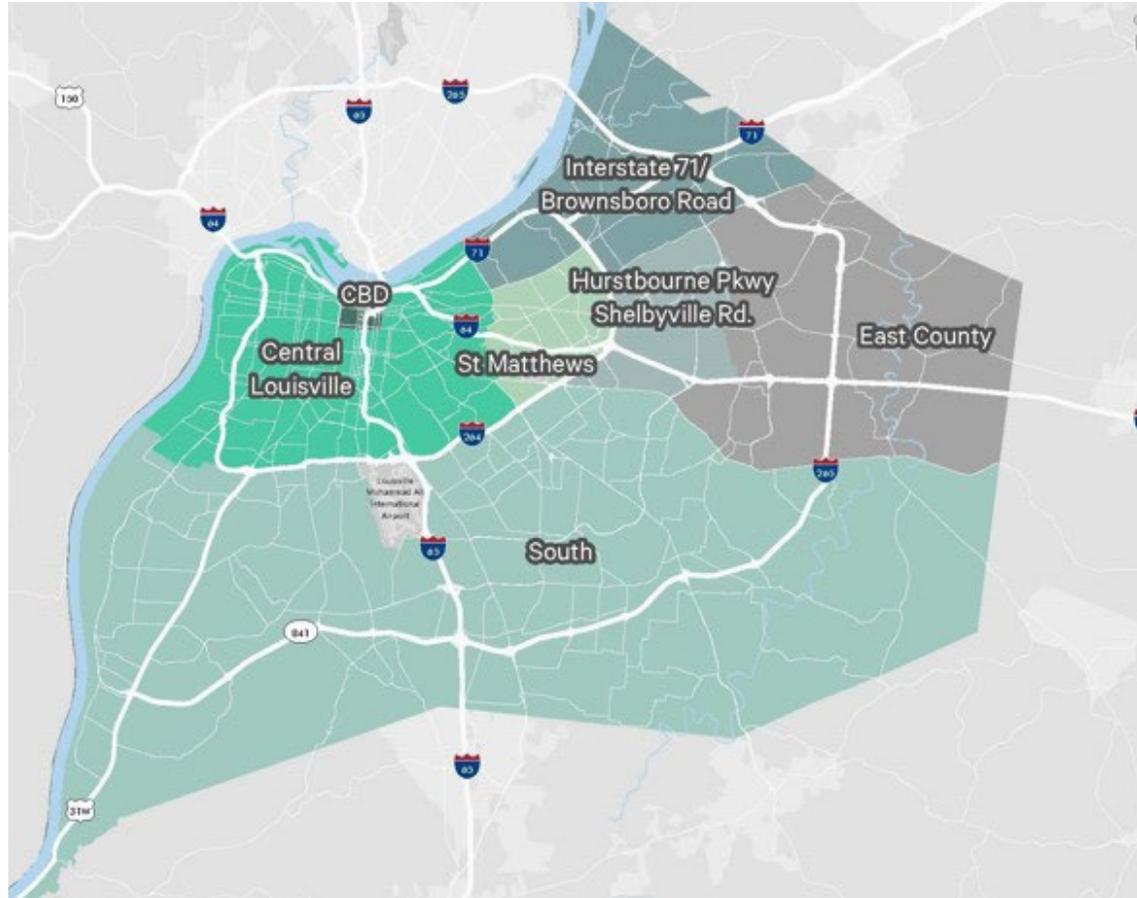
Note: Arrows indicate month-over-month change.

Unemployment Rate and Labor Force Trends



Source: US BLS, September 2025

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building. **Activity:** All lease transactions completed within a specified time period. Excludes user and investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

Survey Criteria

Includes all office buildings 20,000 sq. ft. and greater in size in Jefferson county. Excludes single-tenant owner-occupied buildings, government owned and occupied buildings, or medical buildings. Buildings which have begun construction are evidenced by site excavation or foundation work.

Contacts

Heather Nevin

Senior Managing Director
+1 646 596 0371
heather.nevin@cbre.com

Jill Morzillo

Senior Field Research Analyst
+1 502 412 7621
jill.morzillo@cbre.com

10200 Forest Green Blvd

Suite 500

Louisville, KY 40223

+1 502 429 6700

www.cbre.com/louisville