

FIGURES | LOUISVILLE OFFICE | Q2 2023

# Market rebounds with positive absorption in Central Business District and Suburbs



Note: Arrows indicate change from previous quarter.

## Market Overview

The Louisville office market recorded 81,478 sq. ft. of positive net absorption this quarter, which is the first quarter with positive net absorption since year end 2021. Over one third of the net absorption took place in the Central Business District (CBD), which could be an indicator of downtown recovery should the trend continue. The overall market vacancy rate lowered 70 basis points (bps) to 19.2% and the marketwide average asking lease rate added \$0.13 per sq. ft. to post \$18.59 per sq. ft., though this rate is \$0.52 sq. ft. lower than a year ago. Marketwide leasing activity rose by 23% quarter-over-quarter, recording 371,799 sq. ft., of which over half was new or expansion activity. In addition, despite the current interest rate climate, two properties were traded during the quarter, one in the CBD and one in the Suburbs.

## Downtown-Central Business District

In the second quarter, two full floor leases in downtown Class A CBD towers helped the sector post 24,519 sq. ft. of positive net absorption. In May, national accounting and advisory firm FORVIS announced that their local office would move from the Hurstbourne Parkway/Shelbyville Road submarket to 17,000 sq. ft. on the 38th floor of the PNC Tower in the

FIGURE 1: Market Statistics (Buildings 20,000 Sq. Ft. and greater)

	Market Rentable Area (SF)	Market Vacancy Rate (%)	Net Absorption (SF)	Class A Vacancy Rate (%)	Class B Vacancy Rate (%)	Class A Avg. Asking Lease Rate (\$/SF/Yr)	Class B Avg. Asking Lease Rate (\$/SF/Yr)
Central Business District	8,885,524	24.4	31,136	24.9	25.4	19.09	16.61
Central Louisville	693,765	21.7	339	0.0	28.5	26.32	16.55
East County	2,396,376	16.1	(33,692)	19.1	9.6	22.23	18.94
Hurstbourne Parkway/ Shelbyville Road	5,009,807	15.7	860	11.0	22.9	22.67	17.83
Interstate 71/Brownsboro Road	755,068	2.1	5,102	0.5	9.9	24.97	21.00
South	1,478,269	19.5	67,533	34.4	17.8	18.92	16.63
St. Matthews	973,807	7.2	10,200	2.0	14.9	22.75	17.24
<b>SUBURBAN TOTALS</b>	<b>11,307,092</b>	<b>15.0</b>	<b>50,342</b>	<b>12.0</b>	<b>19.2</b>	<b>22.15</b>	<b>17.53</b>
<b>TOTALS</b>	<b>20,192,616</b>	<b>19.2</b>	<b>81,478</b>	<b>17.4</b>	<b>21.9</b>	<b>20.38</b>	<b>17.06</b>

Source: CBRE Research, Q2 2023

CBD. Class B CBD properties posted positive net absorption of 6,617 sq. ft. and a 20 bps decline in vacancy to 25.4%. A 6,000-sq.-ft. lease by advertising firm Current360 in this sector contributed to the positive net absorption. As a result, the CBD posted overall positive net absorption of 31,136 sq. ft. and a 40 bps decline in overall vacancy to 24.4%.

The CBD Class A average asking lease rate declined \$0.04 per sq. ft. to post \$19.09 per sq. ft., while the average asking rate for Class B CBD properties added \$0.06 per sq. ft. to post \$16.61 per sq. ft. Class A CBD properties recorded 45,795 sq. ft. of leasing activity and Class B CBD properties posted 11,005 sq. ft., bringing the CBD total to 56,800 sq. ft. for the quarter, which is comparable to the first quarter.

In April, the 350,000-sq.-ft. Brown & Williamson Tower sold for \$9 million to Speedway, Indiana-based KennMar, after trading at nearly \$35 million back in 2001. The new ownership group is planning to invest up to \$10 million on renovations at the tower.

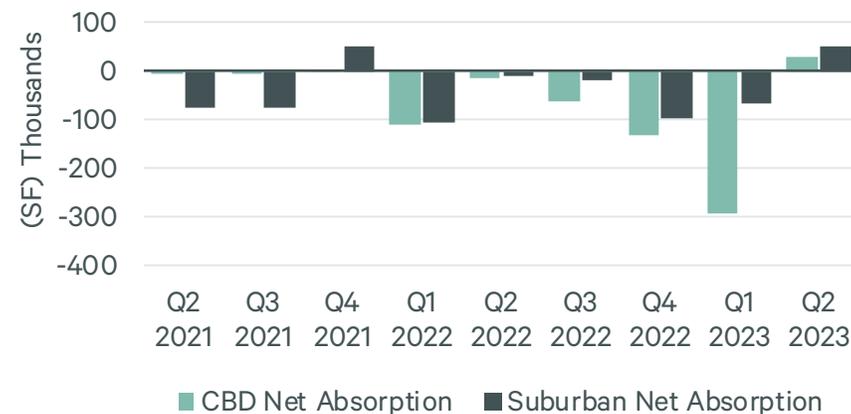
### Suburban

Suburban submarkets recorded 50,342 sq. ft. of positive net absorption in the second quarter, with Class A properties posting negative net absorption of 22,292 sq. ft. and Class B properties recording 72,634 sq. ft. of positive net absorption, led by a 60,000 sq. ft. lease in the South submarket. Other noteworthy transactions during the quarter included a 20,000 sq. ft. lease by Midea America Corp. in the East County submarket, and a nearly 8,500 sq. ft. lease in the South submarket. A Suburban Class B property located in the South submarket at 4400 Breckenridge Lane sold for \$2.75 million to a local company.

The Class A Suburban vacancy rate fell 80 bps to 12.0%, the lowest rate since mid-2020, and the Class B Suburban vacancy rate dropped 160 bps to 19.2%. The average asking lease rate for Class A Suburban properties rose \$0.44 per sq. ft. this quarter to post \$22.15 per sq. ft. Class B Suburban properties added \$0.07 per sq. ft. to post \$17.53 per sq. ft., a new record high for this sector.

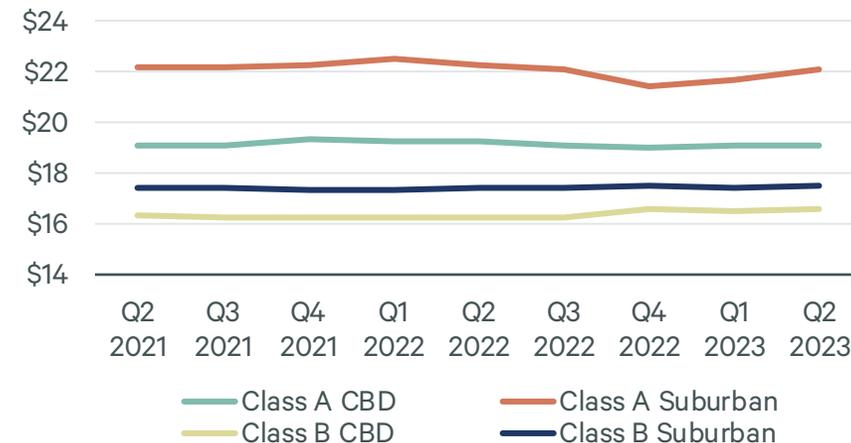
Construction continued during the quarter at The West at Old Henry, a 72,000 sq. ft. speculative building in the East County submarket, and at the 48,000-sq.-ft. headquarters for V-Soft Consulting in the East County submarket. The V-Soft Building is expected to be finished in the next few months and a portion is available for lease.

FIGURE 2: Net Absorption History



Source: CBRE Research, Q2 2023

FIGURE 3: Average Asking Lease Rate History



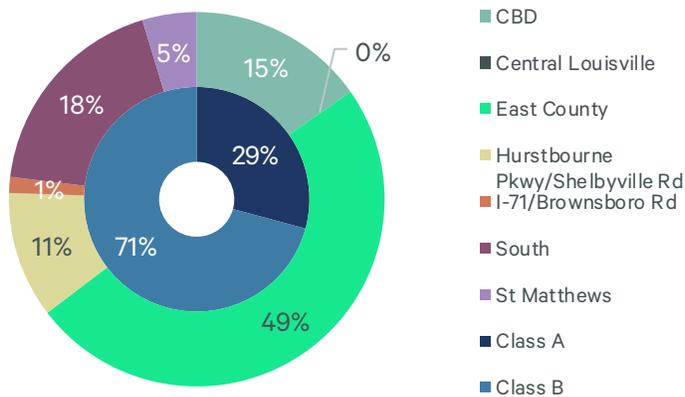
Source: CBRE Research, Q2 2023

FIGURE 4: Available Sq. Ft. – Direct vs. Sublease



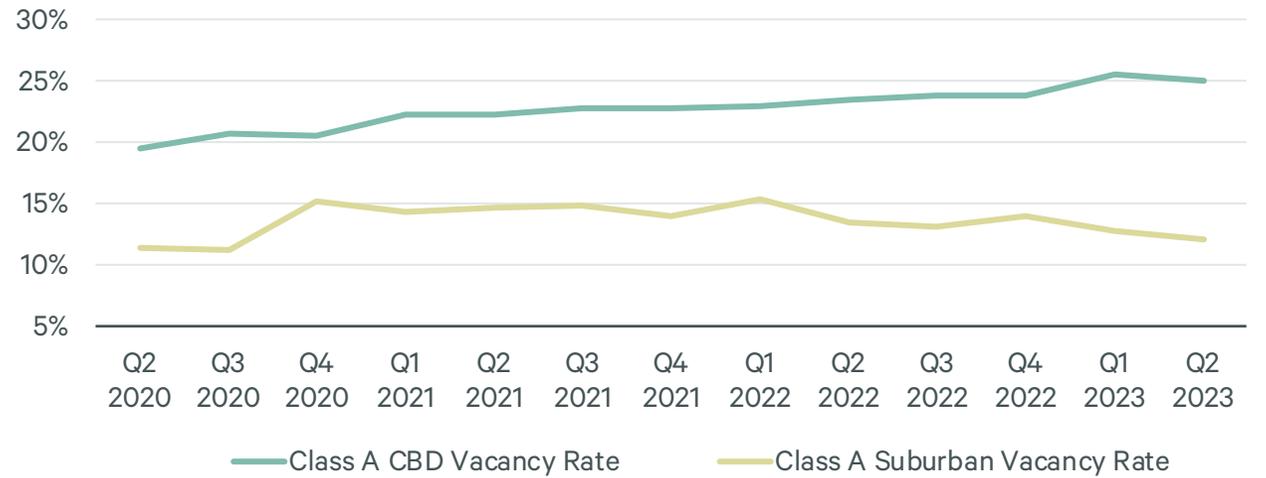
Source: CBRE Research, Q2 2023

FIGURE 5: Leasing Activity



Source: CBRE Research, Q2 2023

FIGURE 6: Class A Vacancy Rate History



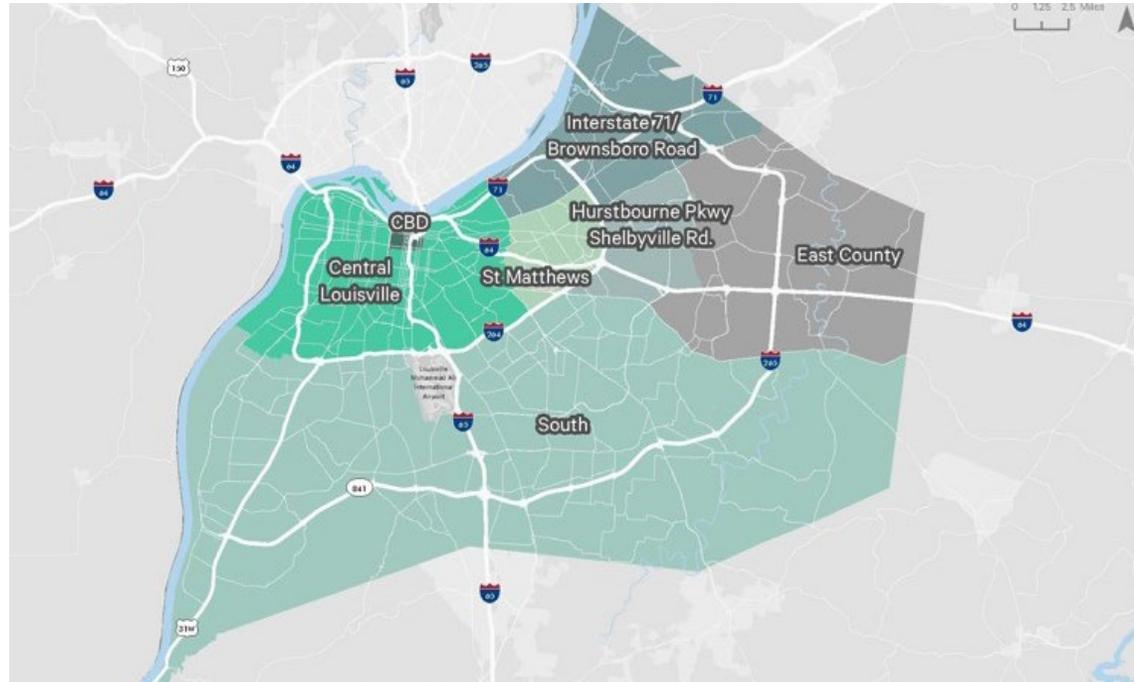
Source: CBRE Research, Q2 2023

FIGURE 7: Leasing Activity History



Source: CBRE Research, Q2 2023

## 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.

## Contact

**David L. Hardy, CCIM**

Managing Director  
+1 502 412 7644  
david.hardy@cbre.com

**Jill Morzillo**

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

6060 Dutchmans Lane

Suite 100

Louisville, KY 40205

+1 502 429 6700  
www.cbre.com/louisville