

# INVESTMENT FORECAST

Office  
Louisville Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Steady Employment Growth Drives Household Formation, Sustaining Investor Interest in Retail Assets

**City plans for the future, as the metro maintains equilibrium.** For the fourth straight year, metrowide vacancy hovers between 3.2 percent and 3.3 percent. That said, two-thirds of Louisville's 24 submarkets experienced vacancy shifts of over 100 basis points last year, revealing dynamic local trends at play. Population growth is expected to stall in the coming year, while employment growth in 2025 is poised to remain relatively stable. As such, the Metro Chamber of Commerce recently released its 2025-2030 strategic plan for attracting businesses to central Louisville, with an emphasis on engaging boomerang talent through targeted events and advertising. If successful, this could raise competition for available retail space in the area. While 2025 retail deliveries will more than double 2024's total, speculative projects are nearly absent from the current pipeline. Leasing, meanwhile, is led by retailers like Kroger and BJ's Wholesale Club occupying over 100,000 square feet each this year, in addition to new Publix and Goodwill locations, both over 50,000 square feet.

**Inner-ring fundamentals capture investor interest.** Contrasting the national trend, local transaction velocity in 2024 was consistent with recordings from the prior three years. Buyers have recently focused on listings in high-density areas, with nearly 80 percent of trades taking place within the Outer Loop. Activity was most apparent in Downtown and along U.S. Route 31 between Interstate 264 and Highway 841. Storefronts, restaurants and auto repair shops were the most commonly traded assets. Specifically, buildings within strip centers and community centers were widely sought-after. Moving forward, South Central Jefferson County and New Albany should remain popular local targets for investment, as each entered 2025 with sub-3 percent vacancy.

### 2025 MARKET FORECAST

+0.9%



**EMPLOYMENT:** While the expected net addition of 6,000 positions is roughly on par with the last two years, recent employment trends lag the 2014-2019 average by more than 30 percent.

525,000  
sq. ft.



**CONSTRUCTION:** At more than double last year's total, delivery volume in 2025 will be on par with the metro's long-term average, raising total inventory by 0.7 percent.

-10 bps



**VACANCY:** The lack of speculative construction limits supply-side pressure this year. The metrowide rate will finish 2025 at 3.2 percent, marking 10 years of sub-4 percent vacancy.

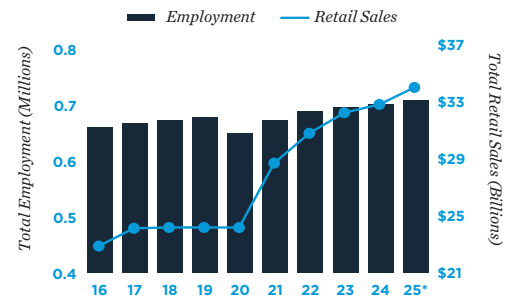
+1.7%



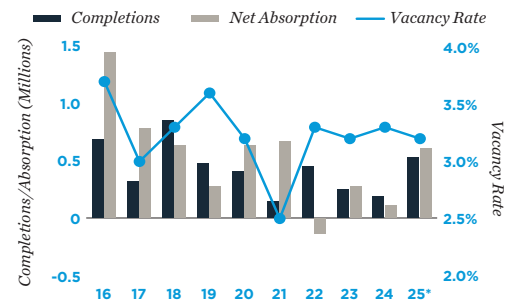
**RENT:** After near-record growth in 2024, average asking rent will rise more modestly in 2025 as availability inches downward. The metric will reach \$16.79 per square foot by year-end.

**INVESTMENT:** As the fifth least-vacant submarket in the country with over 4 million square feet of inventory, the Interstate 71 Corridor between Downtown and Worthington Hills is poised to garner increased interest.

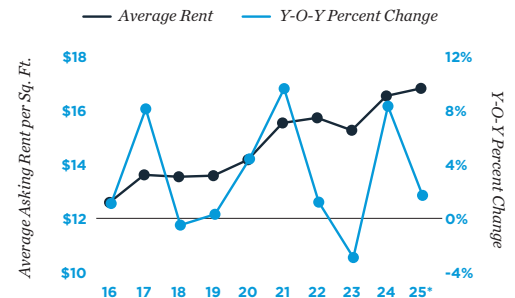
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.