

# INVESTMENT FORECAST

Office  
Louisville Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS





2025

## Louisville's Offices Gaining Ground; Greenshoots Sprouting for Investment Activity

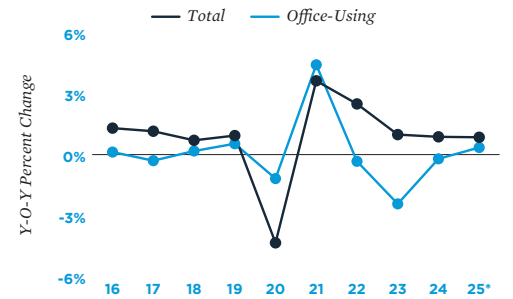
**Nationally low vacancy rate poised to drop even further.** Louisville entered this year as the third-least vacant major office market in the country, fueled by a sub-6 percent Class B/C rate. Availability was particularly tight, standing under 5 percent in early 2025 in South Clark County, Southeast Louisville, St. Matthews and Old Louisville, which together compose about a quarter of the market's inventory. Class A vacancy was comparatively elevated at 17 percent exiting 2024, but was still tied for seventh tightest nationally. Top-tier vacancy specifically fell last year in Southeast Louisville and St. Matthews — areas that offer employers proximity to higher-income households and skilled labor. While new Class A leasing activity slowed in 2024, absorption on net is expected to improve over the course of this year, as less sublet space is being put on the market. Restrained development is also helping supply and demand better align, as this year's 0.3 percent total increase to inventory marks the slowest pace since at least before 2007.

**Amid improving fundamentals, buyers favoring post-1980 builds in main areas.** While transaction activity continued to slow last year, sales velocity was still on par with most years prior to 2017. Investors gravitated toward established office hubs, with the most properties changing hands downtown and in the Hurstbourne-Lyndon area — the two largest submarkets by stock. Trades involved properties of varying occupancy levels, with some investors acquiring assets to use themselves and others acquiring for redevelopment. As in past years, Class B properties were the most targeted, though the average age of buildings exchanged has been trending steadily younger since 2021, likely reflecting vacancy trends. Overall, as metrowide occupancy and asking rents improve on gains made in 2024, more investors may be enticed to consider assets in the months ahead.

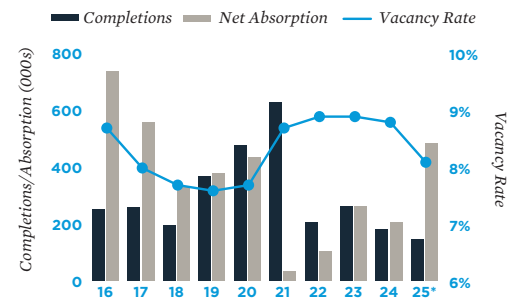
### 2025 MARKET FORECAST

- +0.9%**  **EMPLOYMENT:** After three years of decline, Louisville's traditionally office-using employers will add 500 personnel on net in 2025, joining broader job creation of 6,000 positions.
- 145,000 sq. ft.**  **CONSTRUCTION:** A trio of Hurstbourne-Lyndon-bound buildings compose the majority of this year's subdued pipeline. No individual project exceeds 55,000 square feet in size.
- 70 bps**  **VACANCY:** With tenants already in place, new supply will have a minimal impact on vacancy. As the rate falls to 8.1 percent in 2025, Louisville will become the second-least vacant major office market.
- +3.1%**  **RENT:** Two years of falling asking rents, from 2022 to 2023, will be followed by two years of stronger rent growth, as the average asking rent improves to \$17.58 per square foot by the end of 2025.
- INVESTMENT:** A series of medical office trades last year in Bullitt County reiterate the importance of medical services among aging populations. The county holds one of the highest median ages among local submarkets.

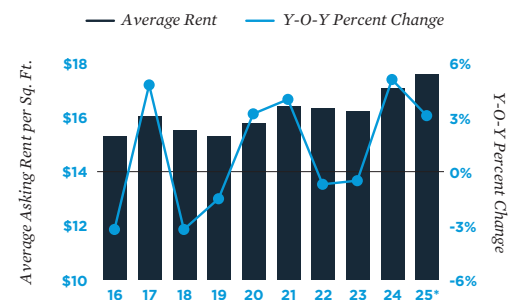
### Employment Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metrol-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.