

# INVESTMENT FORECAST

Retail  
Louisville

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2026

## Supply Constraints and Active Backfilling Set the Stage for Greater Capital Deployment

**Anchor leasing holds firm as shop-space demand growth slows.** Louisville entered 2026 with vacancy still among the lowest in the nation, even as move-outs created pockets of big-box availability. However, large-format leasing held near its past decade average in 2025, with about 10 leases over 20,000 square feet signed, which should help absorb turnover. Limited construction will keep tenants focused on existing centers, such as Publix's planned backfill of a former Neighborhood Walmart. Meanwhile, smaller-format leasing has cooled, as tight vacancy limits expansion options and discretionary, goods-oriented tenants adopt a more selective stance. A backdrop of modest job growth is likely to keep demand tilted toward daily-needs and service retail, highlighted by Wawa's plan for six locations across the metro. Leasing should remain most durable in higher-income areas with strong regional access, led by the Inner East End toward St. Matthews and the Interstate 65 Corridor in South Clark County.

**Reliable income and tight supply draw core capital.** Retail trades above \$20 million neared record levels last year as institutions sought Louisville's relatively stable fundamentals and attractive yields. Grocery- and discount-anchored centers led activity, reflecting demand for durable cash flows. Newer assets should remain favored, as vacancy held below 3 percent for centers built after 1990 while exceeding 8 percent at older properties. This gap may also support value-add plays focused on tenant improvements and targeted upgrades. While private investors have been more selective, sales rose across infill areas like Downtown New Albany and the Bardstown Road Corridor near the Highlands. Limited new supply has kept vacancy under 2 percent in these nodes, where steady foot traffic supports food, beverage, and service demand.

## 2026 MARKET FORECAST

+0.6%



**Employment:** After the metro lost jobs last year, hiring is expected to improve modestly, with the addition of 4,000 roles. At 0.6 percent, job growth will be about half of the long-run average.

140,000  
sq. ft.



**Construction:** Completions in 2026 will total about one-third of the past decade's average and sit near record lows. Most new supply is concentrated southeast of the Interstate 265 loop.

-20 bps



**Vacancy:** Minimal supply pressure helps vacancy edge down to 3.7 percent. This would mark the 10th-lowest vacancy rate among major U.S. markets and align with the prior 10-year average.

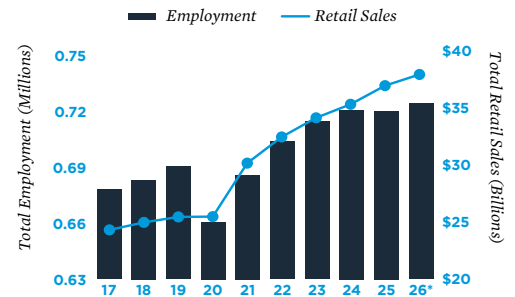
+2.3%



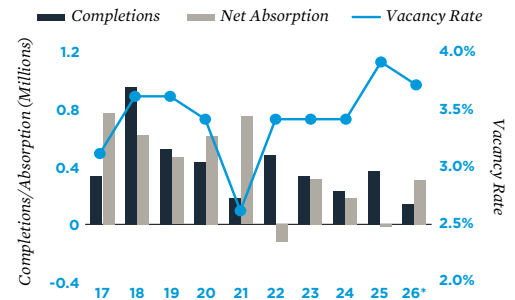
**Rent:** Tightening vacancy lifts the metro's average asking rate to \$18.10 per square foot. This places rents roughly 27 percent above 2020 levels, aligning with the fastest growth in the Midwest.

**INVESTMENT:** *Yum! Brands' decision to relocate 550 employees from its suburban campus to Downtown Louisville is expected to reinforce weekday foot traffic and support nearby retail and investment activity.*

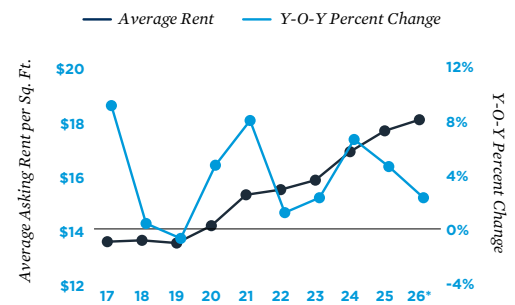
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 January 2026. 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 office 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.