Market Report

MULTIFAMILY 2Q/26

Louisville Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT

5,000 — Jobs will be created

0.7% — Increase Y-O-Y

CONSTRUCTION

1,200 — Units will be added

1.2% — Inventory increase Y-O-Y

VACANCY

5.1% — Vacancy rate

10 — BPS decrease Y-O-Y

RENT

$1,305 — Average effective rent by year-end

2.5% — Increase Y-O-Y

Bifurcated Performances Observed While Market Conditions Modestly Improve

Southern Indiana remains the most notable bright spot. The local impact of national employment headwinds last year slowed apartment absorption in Louisville to less than half of the prior five-year average. More than two-thirds of the metro's net absorption in 2025 occurred in Southern Indiana, which also posted the market's lowest vacancy rate at 4.0 percent in March. The ongoing large-scale expansion of River Ridge Commerce Center, which includes office, warehouse, and data center development, should continue to attract jobs to the area, helping keep local apartment vacancy below 4 percent through 2026.

Weakness lingers in downtown and surrounding areas. More than half of surveyed Class C units were offering concessions as of March, despite nearly 10 percent year-over-year rent growth in that segment. Unlike the broader metro, where Class C properties generally outperform, downtown Class C assets are posting higher vacancy rates than their Class A and B counterparts. At the same time, strong lease renewal activity continues to support rent increases among existing tenants, suggesting that demand remains stable but is not yet deep enough to absorb vacant units without incentives. These conditions should improve modestly if the local job market continues to stabilize this year.

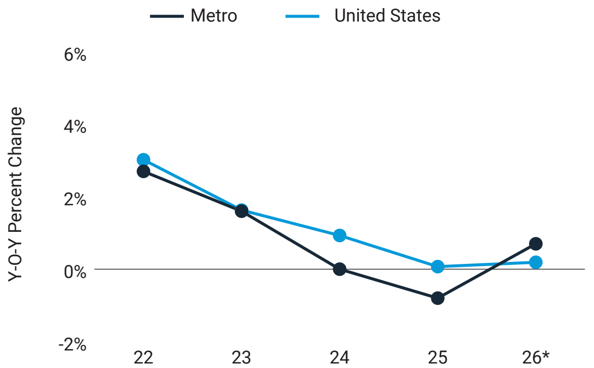
EMPLOYMENT

After losing 5,900 roles on net last year, the metro is expected to recover most of those losses in 2026. In the first quarter, the strongest job gains came from government, education, and health services, as well as leisure and hospitality. Traditional white-collar sectors, however, remain soft as of early 2026 and could potentially limit the breadth of the recovery. The unemployment rate also edged up to 4.4 percent in April, rising above the national average for the first time in 12 months.

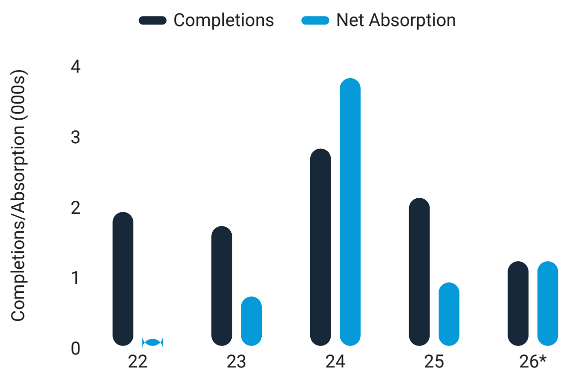
CONSTRUCTION

This year's delivery volume will be the lowest annual total in the metro in a decade. Still, the 1.2 percent inventory expansion rate will be in line with the national average, indicating that Louisville continues to largely follow broader U.S. supply trends. Deliveries are concentrated primarily in the eastern and southern portions of the metro this year. In contrast, the northwestern portion in Southern Indiana, where over 600 units opened in each of the last two years, will see no meaningful deliveries.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



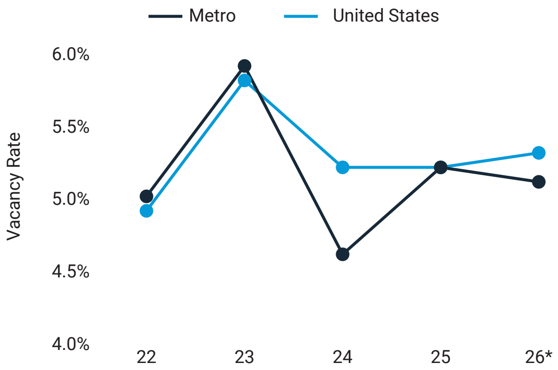
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

As a result of fewer deliveries and a modest improvement in net absorption, vacancy could decline slightly by year-end. Because Louisville has one of the smallest apartment inventories among major U.S. markets, vacancy has historically fluctuated more than in most metros. Even so, the rate is expected to remain 90 basis points below its historical average this year. Performance also varies by class, with Class C vacancy of 4.4 percent remaining 80 basis points below the Class A rate in March.

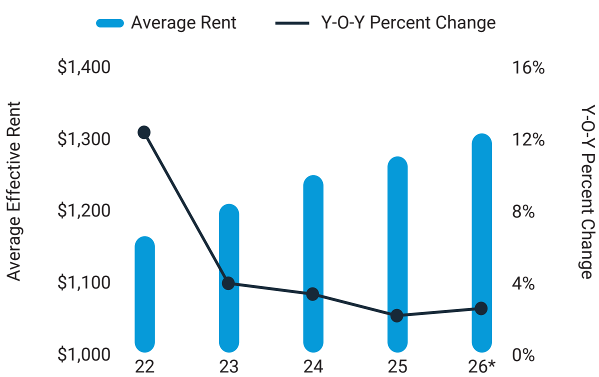
VACANCY TRENDS



RENT

Rent growth in Louisville is expected to outpace the national rate for the fifth consecutive year in 2026. The metro's status as the most affordable major market east of the Mississippi River should continue to support rate growth. As of March, the average monthly payment for Class C properties increased 6.3 percent year-over-year, compared with 4.0 percent for Class A assets and 3.0 percent for Class B properties, indicating that renter demand remains robust in the most affordable segment of the market.

RENT TRENDS



* Forecast ** Through 1Q

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

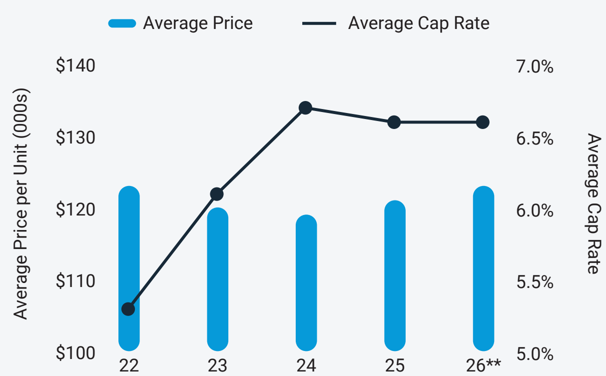
INVESTMENT HIGHLIGHTS

- The metro saw a 30 percent increase in overall transaction velocity in the 12 months ended in March, with similar growth across sub-$10 million deals and transactions above $20 million. However, growth by deal size alone does not fully capture the shift in buyer composition, as institutional investors accounted for more than 50 percent of total dollar volume during the period, up from roughly 20 percent in the prior yearlong period. This increase in institutional participation likely reflects Louisville's steady rent growth and relatively affordable pricing, which may offer greater room for future appreciation than many larger markets.

- While larger institutional transactions were concentrated along the U.S. Route 60 corridor on the eastern side of the metro, sub-$10 million sales were more broadly distributed. Southern Indiana saw transaction activity increase by about 20 percent, driven by sales of newer properties, while Downtown and Old Louisville continued to see frequent trades of pre-1970 assets at prices below $100,000 per unit.

- GE Appliances recently announced plans to shift washing machine production from China to its Appliance Park facility, aiming to create an additional 800 jobs by the end of 2027. This expansion should support apartment demand in the southern portion of the metro, where net absorption was relatively subdued in 2025. However, the area is also expected to receive more than 1,000 apartment units next year, suggesting that the impact on existing multifamily properties may be partially offset by incoming new supply.

SALES TRENDS



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