OUTLINE:

14th ANNUAL KENTUCKY COMMERCIAL REAL ESTATE CONFERENCE: PANEL DISCUSSION: COMMERCIAL LEASING 2025

Louisville, Kentucky

TUESDAY, OCTOBER 28, 2025

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1. CURRENT TRENDS/MARKET DEMANDS 14 MINUTES

- Commercial Leases: Renegotiations, Disputes
- Increasing Integration of Technology: AI, Data Privacy Issues
- Environmental-Related Requirements: ESG
- Tariffs and Impact on Commercial Real Estate
- Impact of market and interest rate changes
- Office Lease Adjustments
- Office building delinquencies/receiverships/abandoned assets/maintenance
- Downtown development – City liabilities/vagrancies – repurposing
- Suburban office market – Class A strong/Class B struggles
- Permanent change in office occupancy – never 100% '5 days' again – but seeing push-back in some sectors?
- Creative uses for office towers (i.e. – JCPS in Louisville Meidinger Tower)
- Ground lease structures
- Flight to quality
- Transaction delays – Compliance with Existing Zoning/Development Code Requirements – various levels and committees – attempts to streamline processes
- Growth in rental properties [senior living, student housing]
- Retail Transformations: Impact of Continuing Growth of E-Commerce
- Retail evolution/repurposing of shopping malls/strength in 'value tenants' – Dollar Tree, Five Below, Hobby Lobby, etc./large retailer bankruptcies/Publix in Louisville market/more non-traditional retailers
- Industrial remains strong - Data Centers, Logistics and Warehousing Operations

2. CHANGES IN RETAIL LEASING - CLAY HUNT 14 MINUTES

- Closures / Bankruptcies

  a. Big Lots
  b. Party City
  c. Jo-Ann
  d. Applebees
  e. Frisch's

- New Construction

  a. Big Box Construction:
     i. Publix
     ii. Kroger
     iii. Target

  b. Restaurants
     i. QSR
     ii. Entertainment

- Ground/Lease Prices

  Class A increase on prices

- Cost of Construction

- Process for development/approvals

  a. Plan approval
  b. Permitting

- Expansion:

  a. Growth outside of 265
  b. Secondary Markets: Lexington, Frankfort, Elizabethtown

Retail Market

Kentucky Commercial Real Estate Conference October 28th, 2025

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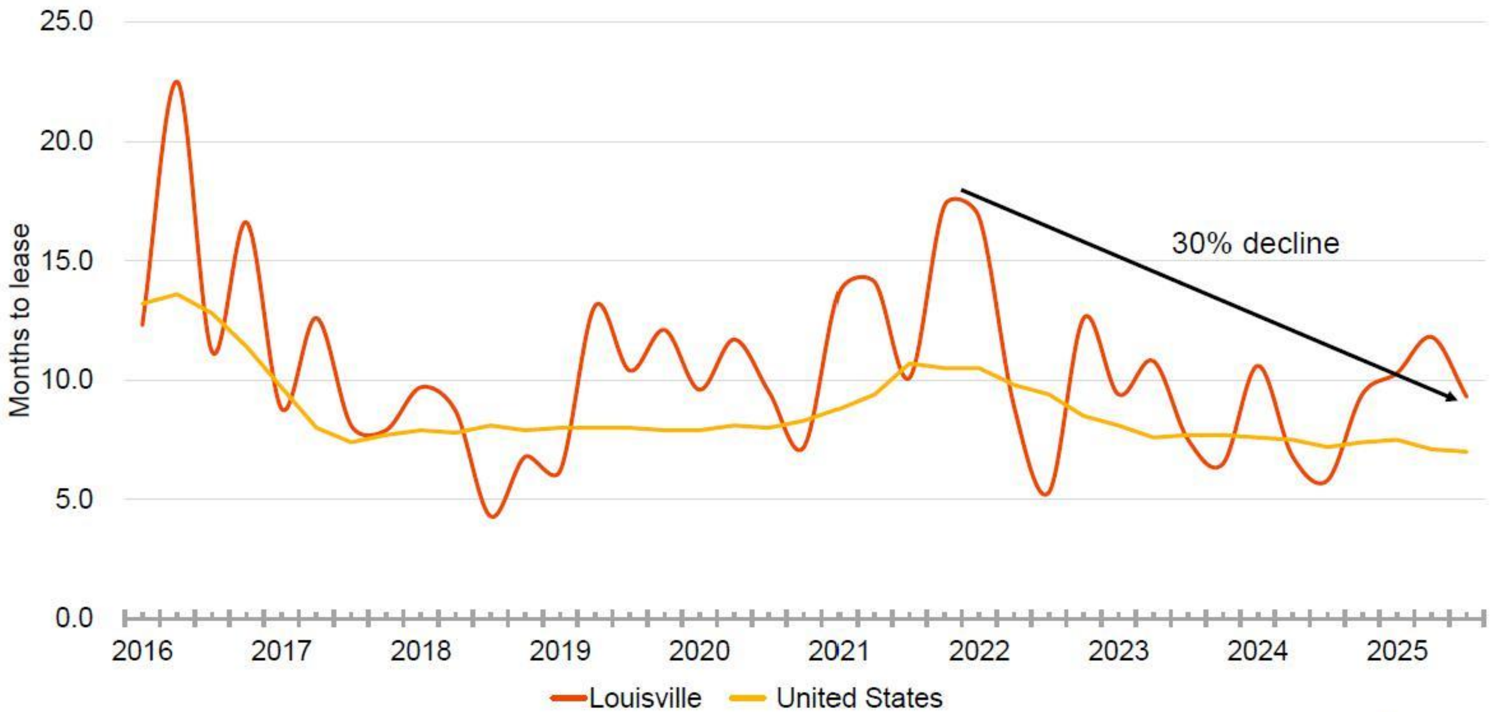
Louisville Retail

New to Market

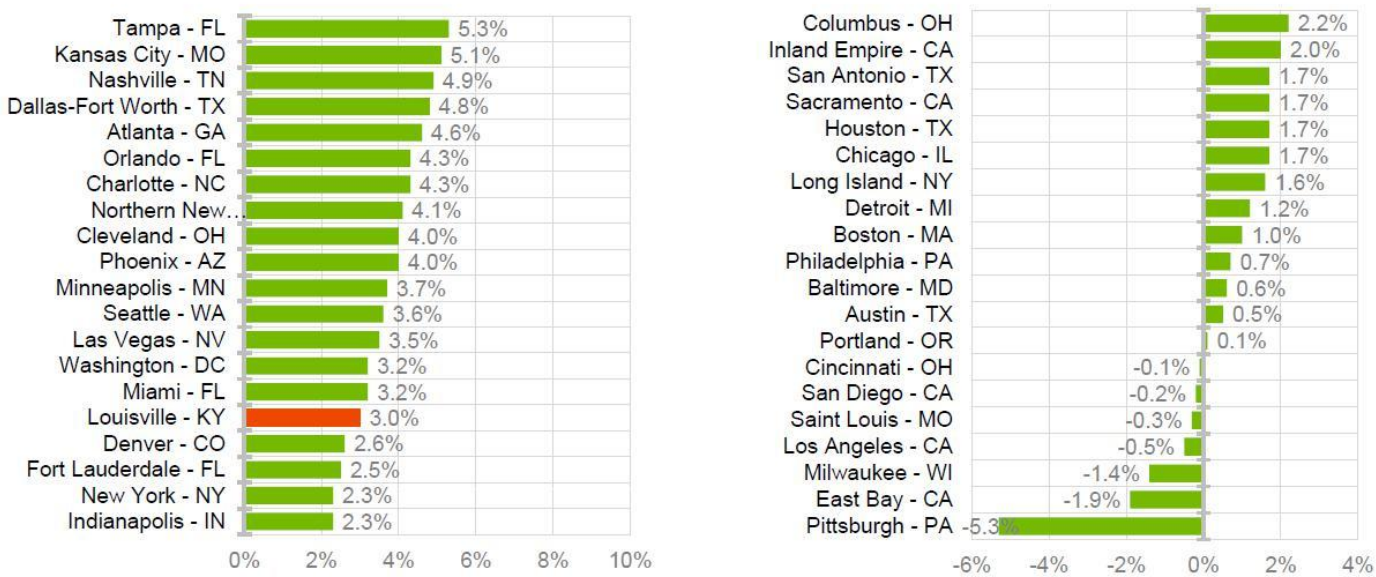
Retail space continues to lease at historically quick pace



Source: CoStar, July 2025

Louisville Retail Rents are Growing

Market Asking Rent Growth 12 Mo



CoStar

○Retail Closures | Bankruptcies

- Big Lots
- Party City
- JoAnn Stores
- Applebee's
- Frisch's Big Boy
- The Container Store
- Forever 21

National Retail

New Retail Construction

Big Boxes

- Publix
- Kroger
- Target

Restaurants

- Quick service restaurants
- Entertainment

○Ground Lease Pricing

- Class A increase in pricing
- Kroger

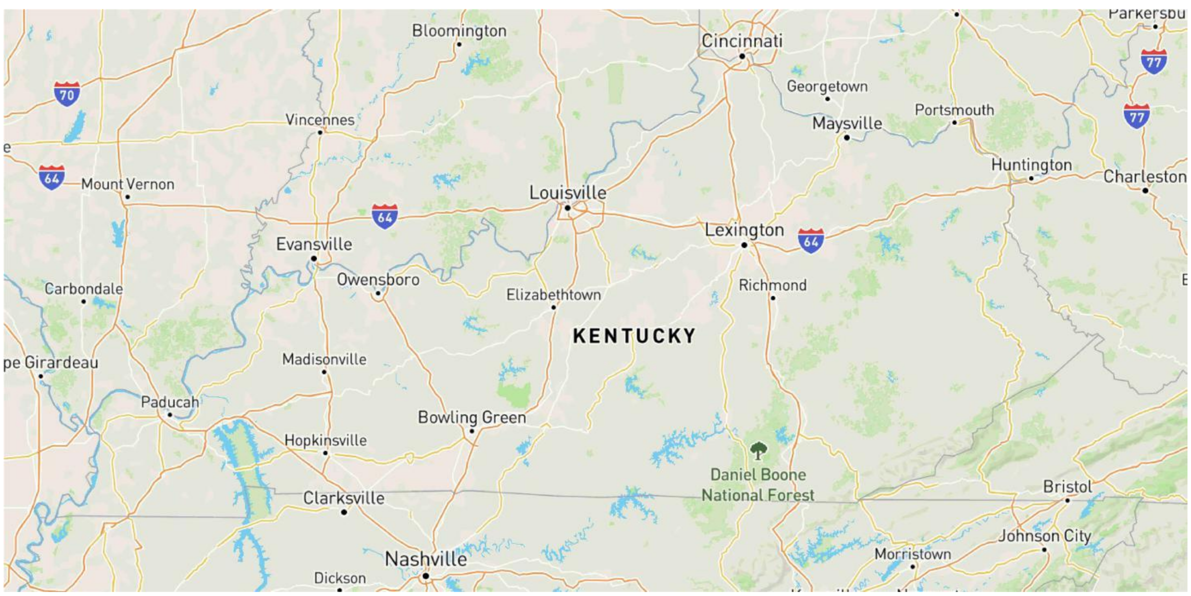
○Cost of Construction

○Process for Development / Approvals

- Plan Approval
- Permitting

○Expansion

- Growth outside of I-265
- Secondary markets: Lexington, Frankfort, Elizabethtown

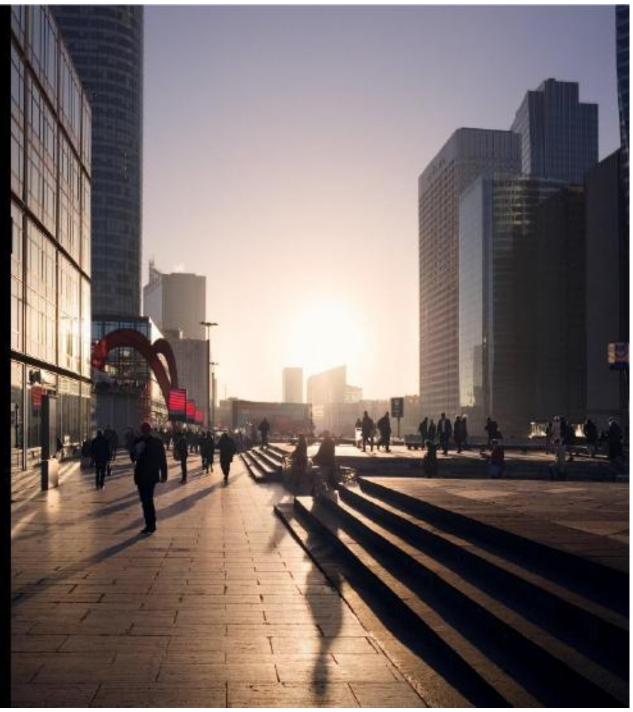


3. CHANGES IN OFFICE LEASING - DOUG OWEN 14 MINUTES

- Return to office trends
- Renewals and downsizing trends
- Office conversions
- Office markets update

Trends in the Office Market

October 2025



Trends in the Office Market

- **Workforce preferences**
- **Return to the office**
- **Shortages of high-quality space**
- **Office conversions**

Key findings

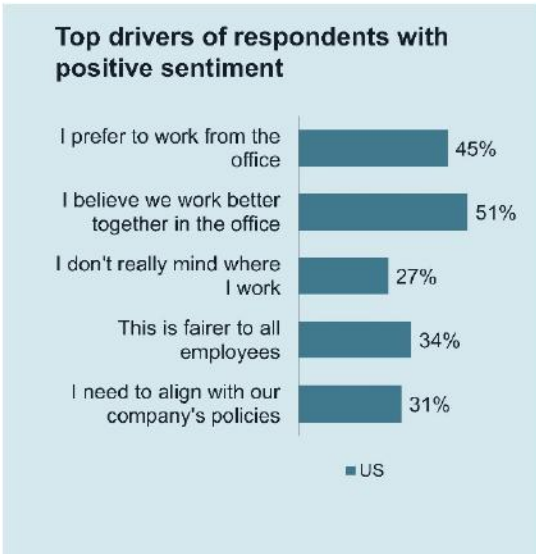
The Age of Maturity for Hybrid Workers? Office presence gains value—But only when employee expectations for Flexibility, Experience, and Care are met

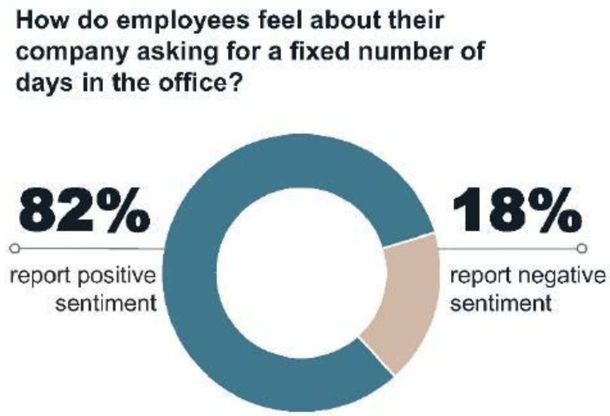
#1 **Workers are largely understanding of return-to-office policies,** believing they work better with others in the same office.

#2 **Work-life balance is a must-have** – but approaches to flexibility vary.

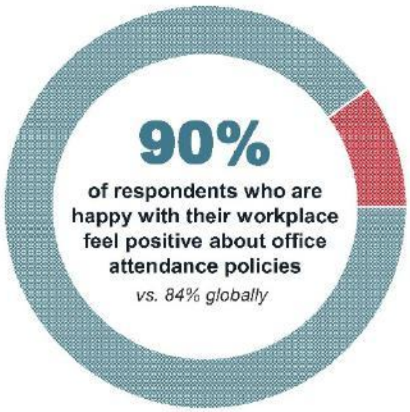
#3 **Wellbeing concerns, particularly burnout, pose a persistent threat to organizational outcomes** and employee retention

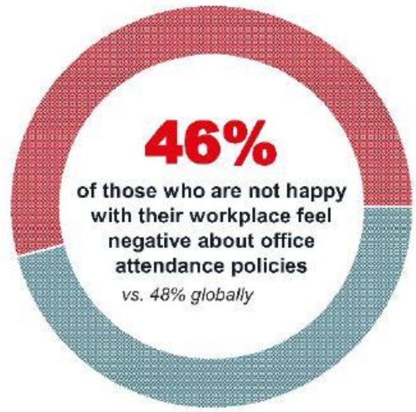
Most employees feel positive about their company's attendance policy





Great workplaces have significant impact on structured hybrid policy acceptance





Current and future role of physical spaces

Choice

Workplaces will continue to offer more variety of space types. Autonomy to choose where work happens - from a workstation to a phone booth to a Cafe space - is motivating for employees.

Flexibility

The ability to adapt your workplace design is key. Moveable furniture and reconfigurable rooms, dynamic reservation technology, and opportunities for employees to customize their experience through features like lamps and sound-absorbing panels.

Wellbeing

Employees are looking for ways to elevate their physical, mental, social, and emotional wellbeing on days they come into the office. Amenities such as quiet zones, fitness centers, biophilic design, and community gathering spaces will continue to grow in popularity.

Hospitality

The office now needs to meet or beat the conveniences employees have at home. Perks like great coffee, healthy grab & go lunch options, secure package delivery, onsite dry cleaning, and more all contribute to a "commute-worthy" experience.

Trends in the Office Market

- Workforce preferences
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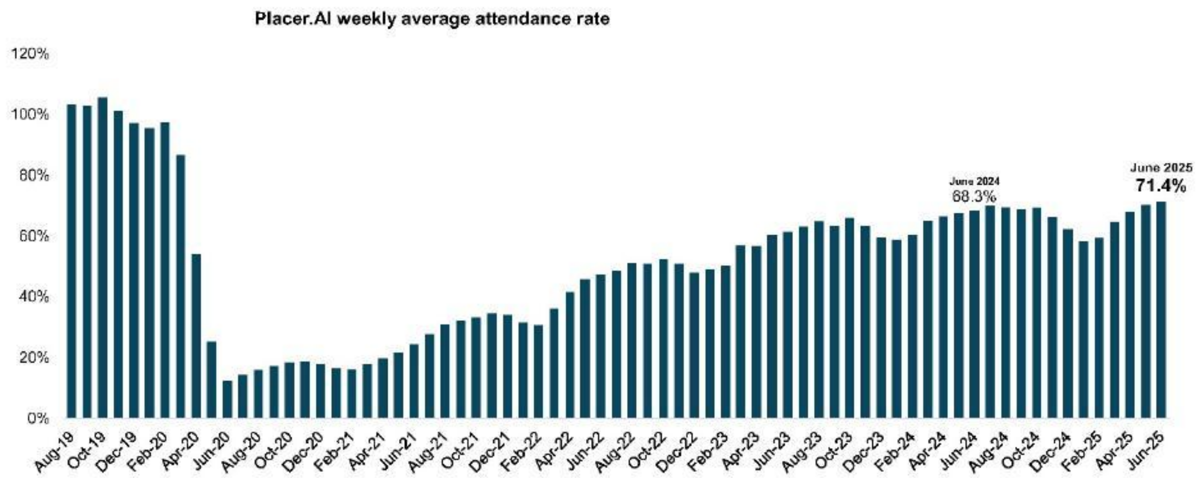
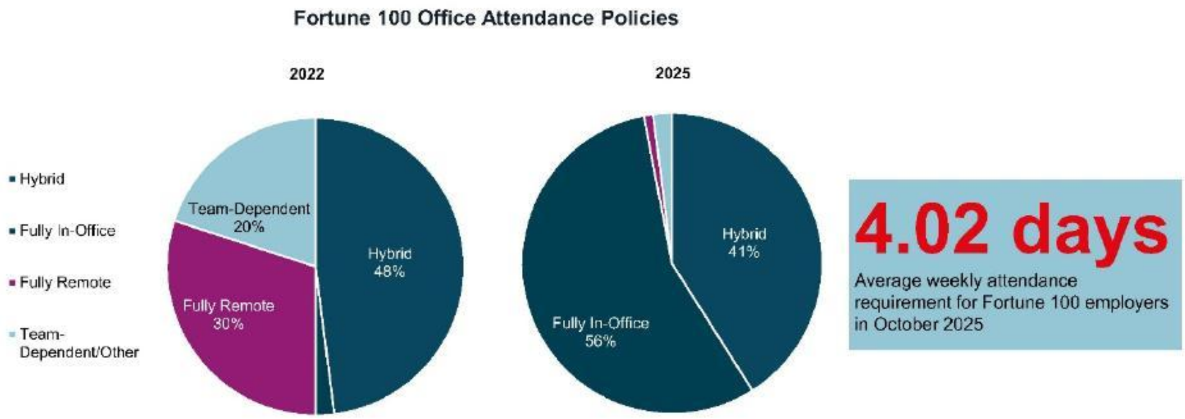
Attendance continues to grow, reaching new post-pandemic high



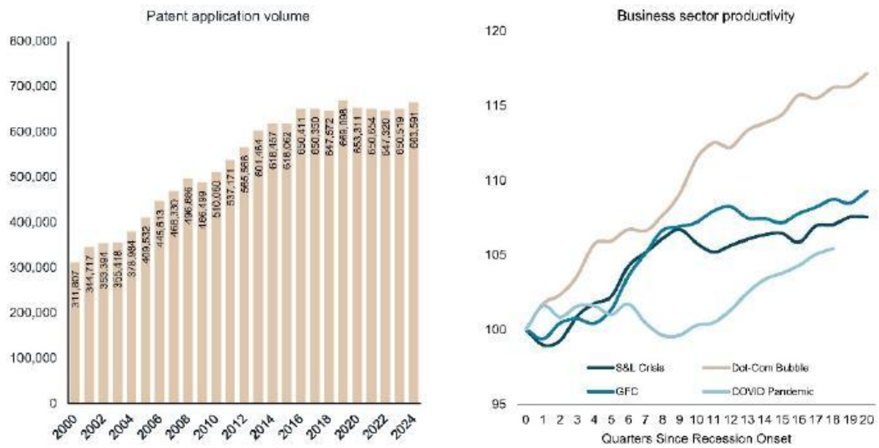
Is Hybrid Working? Hybrid as the "new normal" is being challenged as more groups shift to full-office requirements



Implementation of RTO policies beginning to restore productivity growth and innovation

	2021	2022	2023	2024
Office attendance rate:	43%	57%	61%	68%
Productivity YoY change:	+1.6%	-1.9%	+0.9%	+2.0%
Patent applications YoY:	-0.4%	-0.5%	+0.5%	+2.0%
F100 avg. office days:	1.6 days	2.2 days	3.0 days	3.4 days

Innovation and productivity metrics are beginning to recover after the most pronounced and prolonged declines on record amid widespread remote work



Because of drawbacks associated with productivity, remote workers are more vulnerable to layoffs

Remote employees are 32% more likely to feel anxious about being laid off.

Only 24% of those working remotely are confident that they could find a new remote job in one month, compared to 41% of their in-office peers.

60% of managers believe that, faced with lay-offs, remote workers will be the first to go.

53% of all employees expect in-person workers to have better career advancement opportunities.

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Office market performance

Newly built and amenitized product continues to see outsized leasing demand

Top-tier buildings are commanding record-high rents despite broader market slowdown

Lackof new groundbreakings will create increasingly intense supply shortages

Amenities: What perks really work?

Employee expectations are higher than ever. These investments in space +experience yield the greatest returns

Cost + time investment	**Engage** Your employees, clients and guests. Draw inspiration from your favorite hospitality experiences.	**Empower** Your people with choice + control in their work environment.	**Fulfill** Our collective desire for wellbeing, community, and belonging.
Low	• Water at reception • Umbrellas • Fresh flowers • Custom scents	• Variety of meeting room capacities • Diverse palette of paints, textures, fabrics	• Greeter program • City guides • Employee resource groups
Medium	• Seamless visitor registration • Curated playlist for social spaces • Monthly food trucks or themed catering • Fresh fruit + healthy snack program	• Tech support "Genius bar" • Specialty workspaces (speakeasy, library,...) • Meeting room concierge service	• Community concierge • Access lunches with leaders • Rotating mentoring programs • Pop-up wellbeing events
High	• Barista bar • Outdoor terrace or garden workspace • Executive lounge	• Reconfigurable furniture • Space utilization sensors • Workplace experience app	• Meditation / prayer room • Childcare • On-site health clinic

Differentiation drives premiums

Amenities programs must do more than "check a box" to effectuate premium rents

Trends in the Office Market

- Workforce preferences
- Return to the office
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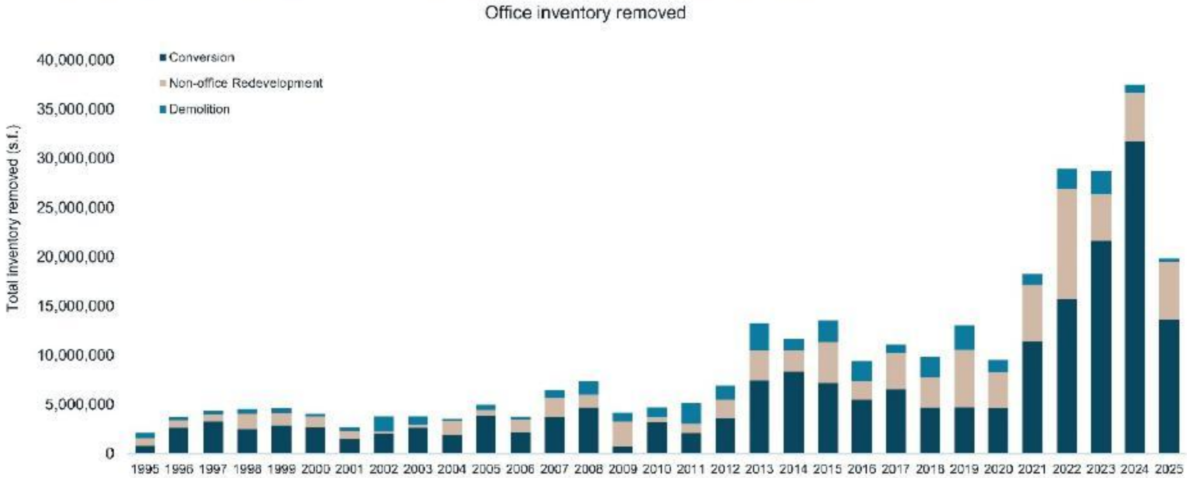
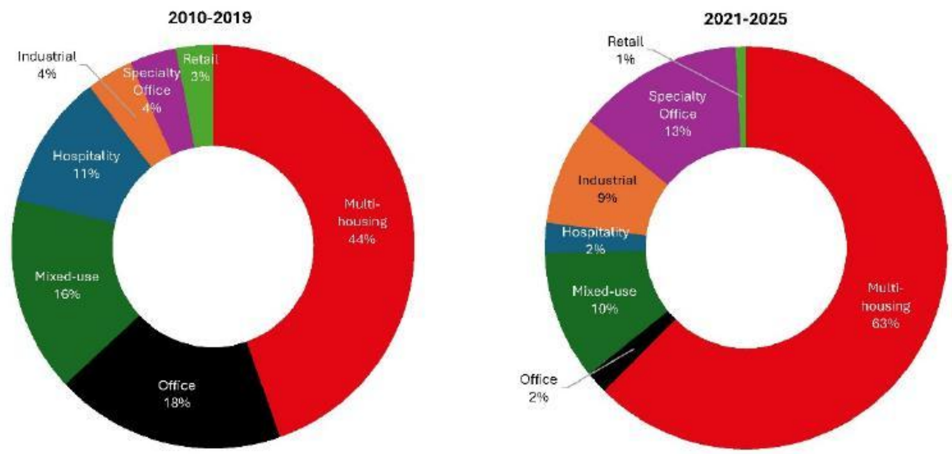
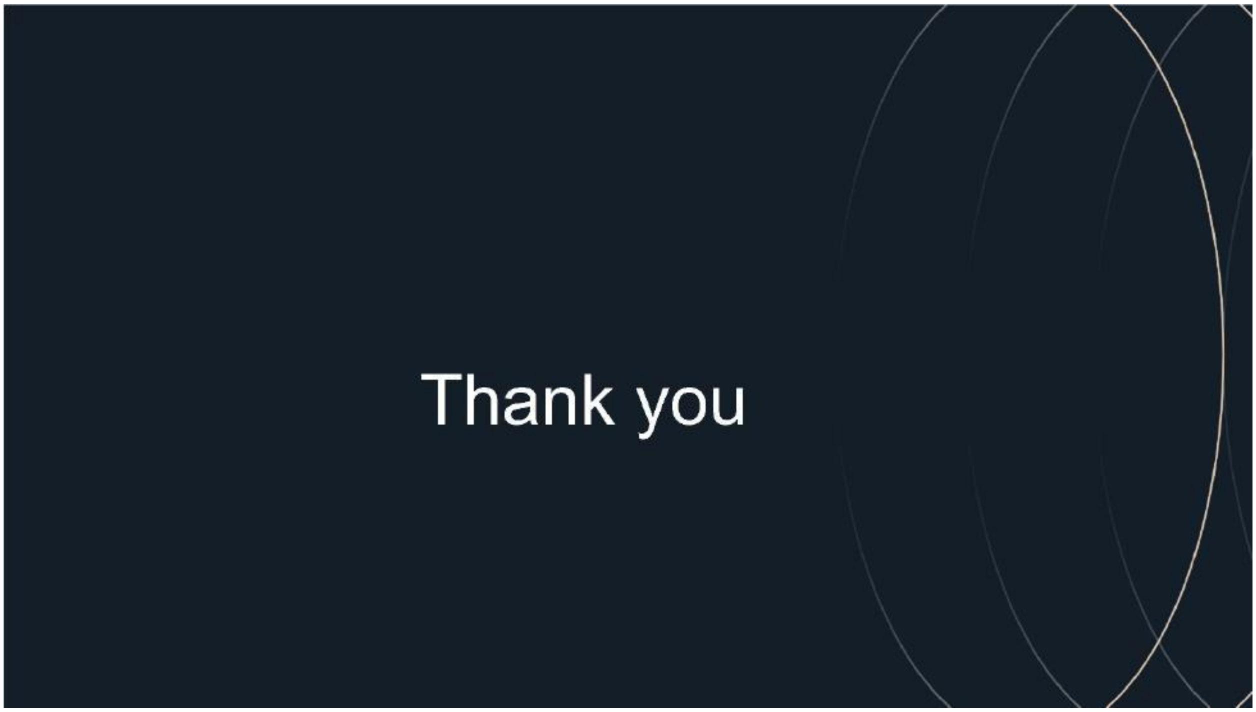
- **Office conversions**

Inventory removals are continuing to accelerate



Evolution of highest and best use shifting the composition of redevelopment




Thank you

4. Recent Court Decisions Regarding Commercial Leasing 14 Minutes Issues - Tandy Patrick

DN Reynoldsburg, LLC v. Maurices Inc., 225 N.E. 3d 454 (Ohio Ct. App. 2023).
Commercial lease with Maurices, a tenant in a retail center in Columbus, OH, gave Maurices the right to pay reduced rent if three inducement tenants (Sports Authority, TJ Maxx, and PetCo) were not open/operating. Sports Authority filed for bankruptcy and never opened. Landlord claimed that Rooms for Less was a 'replacement' anchor tenant, and Maurices should commence paying full rent. Are the specifically-named inducement tenants required to be open to trigger Tenant's requirement to pay full rent?

Bear Valley Partners v. McDonald's Corp., 2024 WL 29041338 (Ill. App. Ct. June 11, 2024).
Original shopping center ECR and ground lease with McDonald's prohibited any other restaurants from containing a "restaurant, food service establishment, drive-in or walk-up eating facility", and provided for 50% rent abatement in the event of a violation. ECR was subsequently revised, but ground lease was <u>not</u> amended.
Is McDonalds successor still entitled to rent abatement?

Premier Consulting & Mgmt. Cols., LLC v. Peace Releaf Ctr. I, 544 P. 3d 658 (Ariz. Ct. App. 2024).
Original tenant operated a medical marijuana dispensary/cultivation facility; lease provided for rent abatement until after first harvest of cannabis plants. Original tenant failed to pay any rent following the first harvest, and landlord terminated the lease. Original tenant clamed that since replacement tenant was required to pay higher rent, landlord should offset by 'applying' excess rent against past-due rent owed by prior tenant. Did Court require Landlord to apply excess rent?

Castle Realty, LLC v. Paul Lynch Invs., Inc., 301 A.3d 907 (Pa. Super.Ct. 2023).
Real estate brokerage firm entered into listing agreements with owner to market/sell two commercial properties for 5% commission. Broker presented an offer from a potential buyer to purchase Property #2, but owner claimed that the offer was too low. Owner ended up selling both properties without notifying broker and without paying broker. Is broker legally entitled to payment of commission for sale of both properties where sales occurred prior to expiration of listing agreements?

B.T. Mgmt., LLC v. 7065-A William Penn Highway, LLC, 299 A. 3d 912 (Pa. 2023).
Parties signed contracts for purchase/sale of three separate parcels of real estate to be carved out of a larger parcel, for intended commercial usage (including an Embassy Suites hotel and McDonald's). Parties were unable to obtain subdivision approval from governmental entities for creation of the separate parcels (PA Dept of Transportation was critical of proposed ingress/egress). Buyer sued for specific performance of the purchase contract; Seller claimed that the contracts were unenforceable since they did not contain adequate legal descriptions of the subject real estate. Did Court require specific performance where surveyor would not be able to identify subdivision of real estate without approved Plat?

Clarke v. Fine Hous., Inc., 882 S.E.2d 763 (S.C. 2023).
Tenant (Clarke) entered into a lease for one-half of existing parking lot owned by neighboring business which contained a ROFR if owner contemplated a sale of the real estate, but ROFR did not clearly identify the real estate to which the ROFR pertained, the price, or procedure for exercising the ROFR. Tenant sued and was successful in trial court action, but Appellate Court disagreed since the ROFR "lacked clarity" and was a restraint on alienation.

Sunbury Diner, LLC v. Brenda Young Ex'r. of the Estate, 2023 Ohio 2821 (2023).
Commercial lease contained an "automatic" right of renewal of the term of the Lease, as well as a first option to purchase the property for an agreed-upon price of between $100K and $150K. Tenant notified Landlord that it intended to exercise its option to purchase and advised Landlord of closing date, but Landlord ignored Tenant; Tenant paid purchase price into escrow. Did Court order the closing to proceed?

Vassar Real Est., LLC v. Swisher Realty Co., 2023 WL 4831238 (Mich. Ct. App. July 2023).
Real estate developer arranged for Swisher Realty to enter into a contract to acquire unoccupied commercial real estate to be developed by Vassar as a strip mall. Purchaser's Phase I indicated several environmental issues. Real estate agent subsequently advised Purchaser that estimated remediation costs would be approximately $90K. Developer purchased the property for $1.244MM in reliance on the $90K estimated cost of remediation; remediation was subsequently estimated to be over $2MM.

Real estate developer sued real estate agent for breach of fiduciary duties based on failure to verify the credentials of the environmental consultant engaged by Swisher. Is a failure to verify a contractor's estimate by a real estate agent a breach of agent's fiduciary duty to the clients they represent?

Vital Distributions, LLC v. Pepperidge Farm, Inc., (E.D. Cal 2024).
Pepperidge Farm entered into a "Consignment Agreement" with Vital Distributions, which provided for payment of commission on sale and distribution of products to "retail stores" (not defined in the Agreement). Distributor claimed that e-commerce sales made through brick-and-mortar stores (to be delivered directly to the consumer) should be included for calculation of commission owed to the distributor, since the term, "retail stores", was not defined in the Agreement. Did Court require Pepperidge Farms to pay commission for e-commerce sales?

5. WHAT'S NEXT/QUESTIONS 4 MINUTES

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