



# Commercial Real Estate Market Lexington, KY

## YEAREND 2013

NAI Isaac Commercial Properties' 2013 yearend review of commercial real estate activity in the Lexington metropolitan area provides a concise look at the occupancy/vacancy rates in retail, office and industrial categories as well as what is expected for 2014. This report surveys Class A & B properties that are 10,000 square feet and larger. NAI Isaac compiled and analyzed data on approximately 518 commercial properties representing over 32 million square feet of office, retail and industrial premises.

## 2014 FORECAST:

Leasing activity will continue to increase in 2014 with positive absorption anticipated for all sectors. Rental rates will stabilize in CBD & Suburban Office and slightly increase in Retail & Industrial as vacancies continue to be reduced.

## 2013:

2013 was a positive year for the Lexington Commercial Real Estate Market. All indicators of economic growth improved during 2013 which assisted the Suburban Office and Industrial categories in reducing vacancy and minimized the Retail vacancy increase. The neighborhood shopping center vacancy increase offset the reductions in vacancy in the Community/Power Center sector.

- The Retail Market remained relatively stable with a slight increase in vacancy. There is still unmet demand for retail space in the regional retail corridors. Neighborhood shopping center vacancy has remained higher than desired and is the category that caused the slight yearend increase in vacancy. Even with the increase, the neighborhood shopping center vacancy rate is below 12%.
- The Suburban Office Market had positive absorption with higher occupancy in 2013. The lack of new, speculative construction aided absorption.
- The CBD Office Market had some companies move out of the CBD which caused the vacancy to increase.
- The Industrial Market experienced a significant increase in occupancy and continues to show strong demand.

## Commercial Real Estate Vacancy Overview

**RETAIL** Vacancy rate  
6.37%

6 month change:  
▲ **4.60% increase**

**SUBURBAN OFFICE** Vacancy rate  
15.34%

6 month change:  
▼ **8.96% decrease**

**CBD OFFICE** Vacancy rate  
15.40%

6 month change:  
▲ **11.43% increase**

**INDUSTRIAL** Vacancy rate  
7.60%

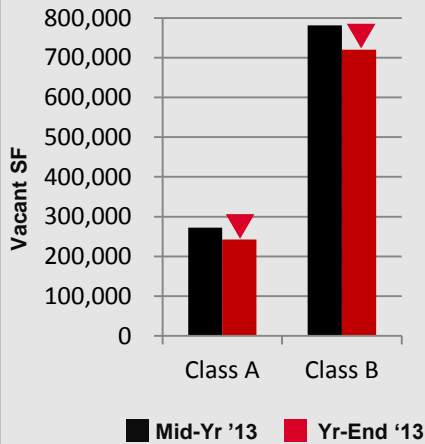
6 month change:  
▼ **33.51% decrease**

# Lexington, KY Commercial Real Estate Market

## SUBURBAN OFFICE

Vacancy rate  
15.34%

6 month change:  
▼ 8.96% decrease



## Suburban Office

The Lexington Office market remained stable as the fourth quarter 2013 ended with a vacancy rate of 15.34% in the suburban market. The vacancy rate decreased from the midyear survey, with 962,421 SF of available space in the second half of 2013. Total office inventory in the Lexington market area amounted to 6,274,426 SF in the 182 building suburban office sector.

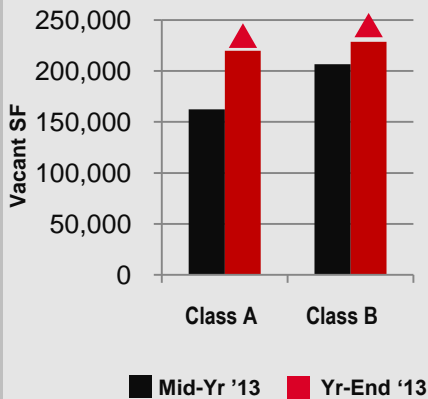
The only project under construction at the end of fourth quarter 2013 was 211 Fountain Court, a 54,234 SF building with 100% of its space pre-leased. Tenants that moved into large blocks of space in 2013 included: Bingham McCutchen, LLP moved into 45,000 SF at 1500 Aristides Boulevard, S&ME moved into 12,754 SF at 2020 Liberty Road and Lexington Theological Seminary moved into 9,738 SF at Lexington Green Office Building 1.

SUBURBAN OFFICE	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Class A	45	1,855,396	1,612,569	86.91%	242,827	13.09%
Class B	137	4,419,030	3,699,436	83.72%	719,594	16.28%
<b>Total</b>	<b>182</b>	<b>6,274,426</b>	<b>5,312,005</b>	<b>84.66%</b>	<b>962,421</b>	<b>15.34%</b>

## CBD OFFICE

Vacancy rate  
15.40%

6 month change:  
▲ 11.43% increase



## CBD Office

The Lexington Office market ended the fourth quarter 2013 with a vacancy rate of 15.40% in the CBD market. The vacancy increased from the midyear survey, with 448,329 SF of available space in the second half of 2013. Total office inventory in the CBD market area consisted of 43 buildings totaling 2,911,932 SF.

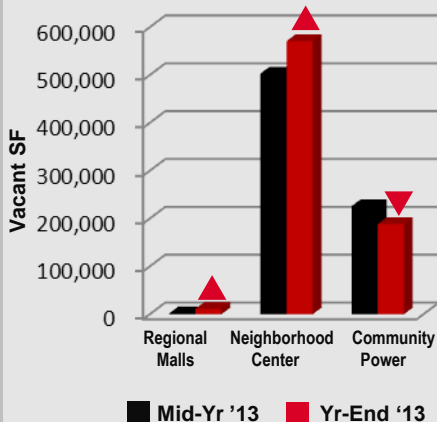
The largest lease signing that occurred in 2013 was the 16,120 SF lease signed by Crowe Horwath LLP at 144 North Broadway. No new properties were delivered and there are no properties under construction at the end of 2013.

CBD OFFICE	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Class A	6	1,260,249	1,040,581	82.57%	219,668	17.43%
Class B	37	1,651,683	1,423,022	86.16%	228,661	13.84%
<b>Total</b>	<b>43</b>	<b>2,911,932</b>	<b>2,463,603</b>	<b>84.60%</b>	<b>448,329</b>	<b>15.40%</b>

# Yearend 2013 Report

## RETAIL Vacancy rate 6.37%

6 month change:  
▲ 4.60% increase



## Retail

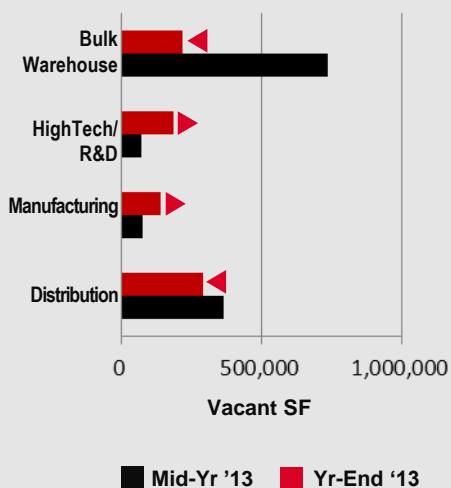
The Lexington retail market experienced a positive last half of 2013 even with a vacancy rate increase from 6.09% in the first two quarters to 6.37% in the second half of 2013. There is 770,875 SF of available space. Total retail inventory in the Lexington market area surveyed consisted of 12,092,915 SF for 115 properties as of the end of the fourth quarter 2013.

One new retail building at War Admiral Place, consisting of 12,230 SF, was delivered to the retail market at the end of the fourth quarter 2013 which includes A&W Restaurant and the 3<sup>rd</sup> First Watch location. The largest lease signings that occurred in 2013 included: 19,044 SF lease signed by Proof TC at Tates Creek Centre, 10,857 SF signed by Cohairs International Chapel at 2350 Woodhill Drive and a 10,200 SF lease signed by LBA at 3330 Keithshire Way.

RETAIL	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Regional Malls	1	1,214,135	1,202,733	99.06%	11,402	0.94%
Neighborhood	96	5,039,176	4,468,250	88.67%	570,926	11.33%
Community/Power Center	18	5,839,604	5,651,057	96.77%	188,547	3.23%
<b>Total</b>	<b>115</b>	<b>12,092,915</b>	<b>11,322,040</b>	<b>93.63%</b>	<b>770,875</b>	<b>6.37%</b>

## INDUSTRIAL Vacancy rate 7.60%

6 month change:  
▼ 33.51% decrease



## Industrial

The Lexington Industrial market ended the fourth quarter 2013 with a vacancy rate of 7.60%. The vacancy rate decreased from the Midyear report, with 827,889 SF available at yearend. The industrial inventory in the Lexington market area totaled 10,888,285 SF in 178 buildings at the end of 2013.

Two new buildings with 15,000 SF and larger were also delivered to the market. The largest lease signings that occurred in 2013 included the 16,063 SF lease signed by Midwest Auto Parts at 667 E New Circle Road and the 14,000 SF lease signed by University of Kentucky at 845 Angliana Avenue. Tenants that moved into large blocks of space in 2013 included: Jim Beam Brands Co. moved into 190,960 SF at 1353 Baker Court and Bridge Church, Inc. moved into 20,760 SF at Enterprise Business Center.

INDUSTRIAL	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Distribution	92	3,850,107	3,558,337	92.42%	291,770	7.58%
Manufacturing	18	1,221,151	1,084,940	88.85%	136,211	11.15%
HighTech/R&D	26	978,429	793,234	81.07%	185,195	18.93%
Bulk Warehouse	42	4,838,598	4,623,885	95.56%	214,713	4.44%
<b>Total</b>	<b>178</b>	<b>10,888,285</b>	<b>10,060,396</b>	<b>92.40%</b>	<b>827,889</b>	<b>7.60%</b>



# NAI Isaac is strategic & innovative

Our experts are strategic and innovative, working collaboratively to ensure tailored solutions that maximize investment and enable profitable growth.

With NAI Isaac, you can expect passion, professionalism and a positive contribution to your bottom line.

**NAI Isaac**

Commercial Real Estate Services, Worldwide.

771 Corporate Drive  
Suite 300  
Lexington KY 40503  
859.224.2000  
naisaac.com

The data compiled in the Lexington Market Report is the legal property of NAI Isaac. Reproduction or dissemination of the information contained herein is strictly prohibited without the expressed written consent of NAI Isaac. This report contains data, including information available to the public, which has been relied upon by NAI Isaac on the assumption that it is accurate and complete. NAI Isaac accepts no responsibility if this should prove to be inaccurate or incomplete. No warranty or representation, expressed or implied, is made by NAI Isaac as to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, and changes in market conditions.