

Commercial Real Estate Vacancy Overview

RETAIL

Vacancy rate:

6.37%

6 month change:

▲ **34.19% increase**

SUBURBAN OFFICE

Vacancy rate:

10.51%

6 month change:

▼ **34.82% decrease**

CBD OFFICE

Vacancy rate:

10.01%

6 month change:

▼ **25.66% decrease**

INDUSTRIAL

Vacancy rate:

6.58%

6 month change:

▲ **2.45% increase**

YEAREND 2016

The Lexington Kentucky commercial real estate market remained active during 2016 with notable vacancy decreases in Suburban and Central Business District (CBD) office sectors and vacancy increases in Retail and Industrial sectors. Suburban Office experienced the largest vacancy decrease with a decline of 23.4%, resulting in a vacancy rate of 10.51%. The CBD Office category experienced a 10% vacancy rate decrease, a positive indication for the downtown Lexington area. Leasing activity and market rental rates for all commercial sectors have remained steady throughout 2016. This report surveys Class A & B properties that are 10,000 square feet and larger. NAI Isaac compiled and analyzed data on approximately 528 commercial properties representing over 32 million square feet of office, retail and industrial premises.

2017 FORECAST

Leasing activity should continue to increase in the first two quarters of 2017 with positive absorption anticipated for all sectors. Rental rates will continue to be stable in the CBD Office, Suburban Office, Retail and Industrial sectors with demand also remaining constant. The vacancy rate for Suburban Office will increase as some large blocks of previously occupied space becomes available.

2016 Year in Review

2016 was a dynamic year for the Lexington Commercial Real Estate Market. All indicators of economic growth improved during 2016 which assisted the CBD Office and Suburban Office in reducing vacancy and minimized the Industrial and Retail vacancy increase. The Retail and Industrial markets vacancy rates are still very low.

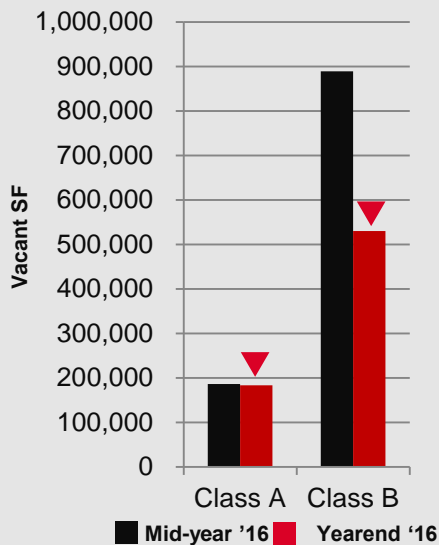
- The Retail Market had a vacancy increase due to several developments, including The Summit and The Venue, nearing completion and ready for tenant possession. The additional square footage created the increase in vacancy.
- The CBD Office Market had progressive absorption with higher occupancy in 2016.
- With the continued improvement, the Suburban Office Market has shown the largest absorption with a vacancy decrease of 23.4% since mid-year 2016.
- The Industrial Market experienced a very slight increase in vacancy but continues to show strong demand.

- Al Isaac, President

Lexington, KY Commercial Real Estate Market

SUBURBAN OFFICE Vacancy rate 10.51%

6 month change:
▼ 34.82% decrease



Suburban Office

The Lexington Office market experienced positive absorption in the fourth quarter 2016 ending with a vacancy rate of 10.51% in the suburban market. The vacancy rate decreased from the mid-year survey, with 712,854 SF of available space in the second half of 2016. Total office inventory in the Lexington market area amounted to 6,784,353 SF in the 187 building suburban office sector.

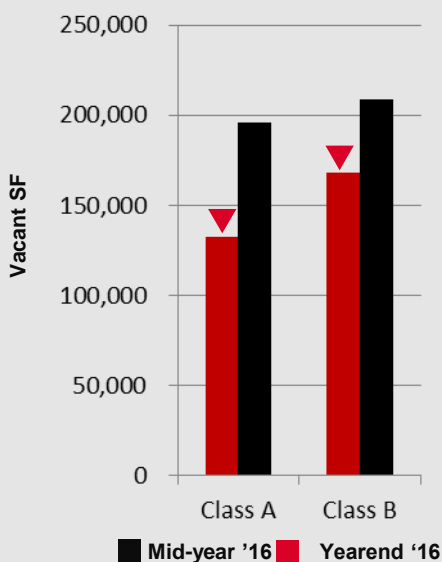
The largest lease signings that occurred in 2016 included the 88,079 SF lease* signed by Commonwealth of Kentucky at 455 Park Place, 17,084 SF lease signed at Tates Creek Heights in the East Lexington/Fayette market; the 16,660 SF lease signed at 2008 Mercer Road and the 15,661 SF lease* signed by Walters Meadows & Richardson Attorneys at Corporate Plaza in the West Lexington/Fayette market.

SUBURBAN OFFICE	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Class A	45	1,863,624	1,680,693	90.18%	182,931	9.82%
Class B	142	4,920,729	4,390,806	89.23%	529,923	10.77%
Total	187	6,784,353	6,071,499	89.49%	712,854	10.51%

* NAI Isaac transaction

CBD OFFICE Vacancy rate 10.01%

6 month change:
▼ 25.66% decrease



CBD Office

The Lexington Office market ended the fourth quarter 2016 with a decrease in vacancy rate of 10.01% in the CBD market. The vacancy decreased from the mid-year survey, with 300,752 SF of available space in the second half of 2016. Total office inventory in the CBD market area consisted of 44 buildings totaling 3,005,686 SF.

The largest lease signings that occurred in 2016 were the 20,455 SF lease* signed by Cypress Semiconductor at Chase Tower, 13,897 SF lease signed at the Vine Center and the 7,100 SF lease* signed by Morgan & Pottinger, PSC at 175 East Main Street in the Downtown Lexington market.

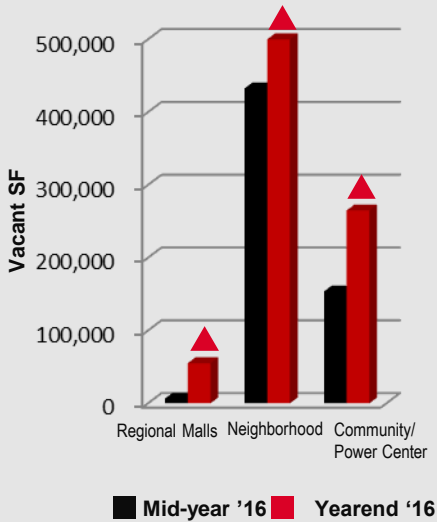
CBD OFFICE	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Class A	8	1,315,685	1,182,924	89.91%	132,761	10.09%
Class B	36	1,690,001	1,522,010	90.06%	167,991	9.94%
Total	44	3,005,686	2,704,934	89.99%	300,752	10.01%

* NAI Isaac transaction

Yearend 2016 Market Report

RETAIL Vacancy rate
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6 month change:
▲ 34.19% increase



Retail

The Lexington retail market experienced a positive last half of 2016 even with a vacancy rate increase of 6.37% in the last 6 months of 2016. The market currently has 820,408 SF available. Total retail inventory in the Lexington market area surveyed consisted of 12,869,549 SF for 121 properties as of the end of the fourth quarter 2016.

The largest retail lease signings that occurred in 2016 included the 23,942 SF lease* signed by Ross Dress for Less at North Park Marketplace in the West Lexington/Fayette market; Bluegrass Athletics signed a 14,501 SF lease at Brookhaven Shopping Center and the 13,655 SF lease signed by BreakOut in the East Lexington/Fayette market.

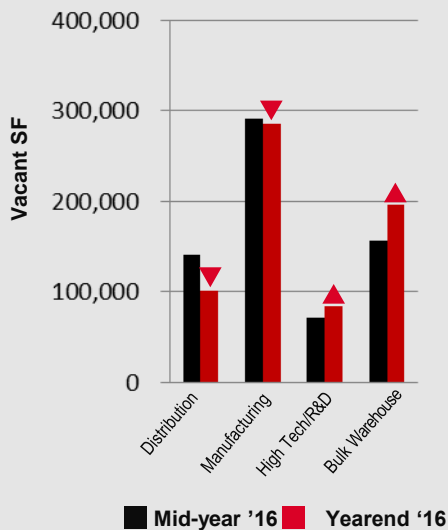
RETAIL	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Regional Malls	2	1,670,000	1,614,921	96.70%	55,079	3.30%
Neighborhood	99	5,172,470	4,672,066	90.33%	500,404	9.67%
Community/Power Center	20	6,027,079	5,762,154	95.60%	264,925	4.40%
Total	121	12,869,549	12,049,141	93.63%	820,408	6.37%

* NAI Isaac transaction

INDUSTRIAL

Vacancy rate
6.58%

6 month change:
▲ 2.45% increase



Industrial

The Lexington Industrial market ended the fourth quarter 2016 with a vacancy rate of 6.58%. The vacancy rate increased slightly from the mid-year report, with 667,947 SF available at yearend. The industrial inventory in the Lexington market area totaled 10,155,509 SF in 176 buildings at the end of 2016.

The largest lease signings that occurred in 2016 included the 49,482 SF lease* signed by MB2 Raceway at 2040 Creative Drive and 39,000 SF lease* signed by TP Mechanical Contractors, Inc. at 2409 Over Drive in the East Lexington/Fayette market.

INDUSTRIAL	Bldgs	GLA (SF)	Occupied (SF)	Occupancy Rate (%)	Vacant (SF)	Vacancy Rate (%)
Distribution	92	3,876,208	3,774,652	97.38%	101,556	2.62%
Manufacturing	18	894,188	608,151	68.01%	286,037	31.99%
HighTech/R&D	26	854,024	769,921	90.15%	84,103	9.85%
Bulk Warehouse	40	4,531,089	4,334,838	95.67%	196,251	4.33%
Total	176	10,155,509	9,487,562	93.42%	667,947	6.58%

* NAI Isaac transaction

Yearend 2016

Commercial Real Estate Market
Lexington, Kentucky

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

NAI Isaac
771 Corporate Drive, Suite 500
Lexington, KY 40503
+1 859 224 2000

naiisaac.com