

MIDYEAR 2023

CRE MARKET REPORT

Lexington-Fayette County, KY

NAI Isaac

Commercial Real Estate Services, Worldwide.



771 Corporate Drive, Suite 500
Lexington, KY 40503



859-224-2000



www.naiisaac.com

MIDYEAR 2023

Office Report

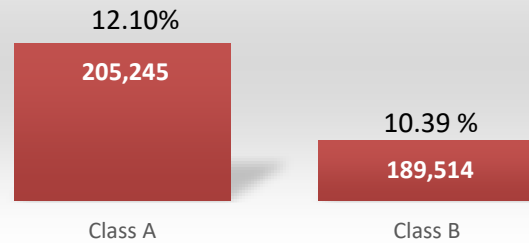
The Lexington-Fayette Office market ended the first half of 2023 with office vacancy rates fluctuating slightly across the region.

CBD Class A and B Office space from the 51 building sample totaled 3,519,922 SF with 3,125,164 SF occupied and 394,759 SF vacant, yielding a total vacancy of 11.21 percent in the CBD. Class A Office space totaled 1,696,360 SF with 1,491,115 SF occupied and 205,245 SF vacant, yielding a Class A vacancy of 12.10 percent across 9 buildings. Class B Office space totaled 1,823,562 SF with 1,634,049 SF occupied and 189,514 SF vacant, yielding a Class B vacancy of 10.39 percent across 42 buildings.

Suburban Class A and B Office space from the 240 building sample totaled 8,549,716 SF with 7,437,331 SF occupied and 1,112,385 SF vacant, yielding a total vacancy of 13.01 percent in the Suburban market. Class A Office space totaled 2,504,169 SF with 2,255,327 SF occupied and 248,842 SF vacant, yielding a Class A vacancy of 9.94 percent across 53 buildings. Class B Office space totaled 6,045,547 SF with 5,182,004 SF occupied and 863,543 SF vacant, yielding a Class B vacancy of 14.28 percent across 187 buildings.

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OFFICE - CBD VACANCY (SF) Q2 - 2023



OFFICE - SUBURBAN VACANCY (SF) Q2 - 2023



OFFICE CBD	# BUILDINGS	GLA (SF)	OCCUPIED (SF)	OCCUPANCY RATE	VACANT (SF)	VACANCY RATE
Class A	9	1,696,360	1,491,115	87.90%	205,245	12.10%
Class B	42	1,823,562	1,634,049	89.61%	189,514	10.39%
TOTAL	51	3,519,922	3,125,164	88.79%	394,759	11.21%

OFFICE SUBURBAN	# BUILDINGS	GLA (SF)	OCCUPIED (SF)	OCCUPANCY RATE	VACANT (SF)	VACANCY RATE
Class A	53	2,504,169	2,255,327	90.06%	248,842	9.94%
Class B	187	6,045,547	5,182,004	85.72%	863,543	14.28%
TOTAL	240	8,549,716	7,437,331	86.99%	1,112,385	13.01%

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Industrial Report

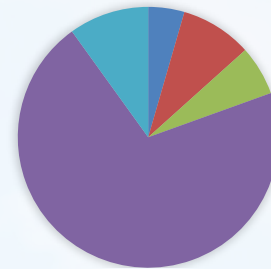
Lexington-Fayette County's Industrial property market vacancy remained stable during the first half of 2023. The vacancy rate in our sample totaled 9.15 percent, ending Q2 at 1,116,798 SF of vacant space. Manufacturing had the greatest overall vacancy rate at 26.15 percent. Bulk Warehouse had the lowest overall vacancy rate at 0.58 percent. NAI Isaac expects vacancy rates in this market to trend downward during the second half of 2023.

This report filtered and sampled 419 properties from the Lexington-Fayette Industrial market, totaling 18,046,640 SF of Gross Leasable Area.

*one building totaling 688,373 SF available represents 87% of the manufacturing vacancy. Without this one vacancy, the vacancy rate would be 2.95%.

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SEGMENT SHARE OF TOTAL INDUSTRIAL VACANCY (%) Q2 - 2023



- Bulk Warehouse – 4%
- Flex – 10%
- Manufacturing – 71%
- Distribution – 9%
- High Tech & R&D – 6%

INDUSTRIAL	# BUILDINGS	GLA (SF)	OCCUPIED SF	OCCUPANCY RATE	VACANT (SF)	VACANCY RATE
Bulk Warehouse	183	8,571,110	8,521,040	99.42%	50,070	0.58%
Distribution	103	3,773,525	3,674,508	97.38%	99,017	2.62%
High Tech R&D	23	456,220	387,576	84.95%	68,644	15.05%
Manufacturing	47	3,013,838	2,225,737	73.85%	788,101	26.15%
Flex Space	63	2,718,274	2,501,527	92.03%	110,966	7.97%
TOTAL	419	18,046,640	16,395,471	90.85%	1,116,798	9.15%

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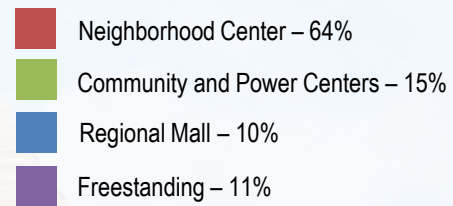
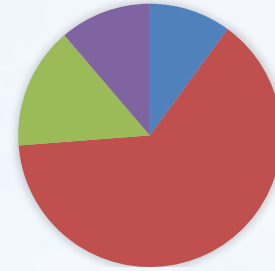
Retail Report

The Lexington-Fayette Retail property market experienced positive movement during the first half of 2023. Overall vacancy in our Retail sample of 254 buildings totaled 4.68 percent with 12,665,696 SF occupied and 621,525 SF vacant.

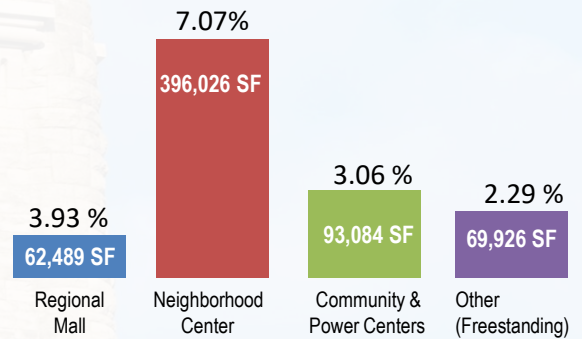
Regional Mall vacancy totaled 3.93 percent with 62,489 SF vacant. Neighborhood Center vacancy totaled 7.07 percent with 396,026 SF vacant. Community and Power Center vacancy totaled 3.06 percent with 93,084 SF vacant. Freestanding vacancy totaled 2.29 percent with 69,926 SF vacant.

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SEGMENT SHARE OF TOTAL RETAIL VACANCY (%) Q2 - 2023



RETAIL VACANCY (SF) Q2 - 2023



RETAIL	# BUILDINGS	GLA (SF)	OCCUPIED SF	OCCUPANCY RATE	VACANT (SF)	VACANCY RATE
Regional Mall	5	1,591,146	1,528,657	96.07%	62,489	3.93%
Neighborhood Center	132	5,597,790	5,201,764	92.93%	396,026	7.07%
Community & Power Center	34	3,042,579	2,949,495	96.94%	93,084	3.06%
Other (Freestanding)	83	3,055,706	2,985,780	97.71%	69,926	2.29%
TOTAL	254	13,287,221	12,665,696	95.32%	621,525	4.68%

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Trend Analysis

Overall vacancy rates trended downward between Q4 2022 and Q2 2023. The one exception CBD Office Vacancy, which trended upward from 9.84% to 11.21%.

	2022 - Q4	2022-Q4	2023-Q2	2023 - Q2
RETAIL				
	Vacancy Rate (%)	Vacant (SF)	Vacancy Rate (%)	Vacant (SF)
Regional Mall	2.00%	31,489	3.93%	62,489
Neighborhood Center	5.73%	312,987	7.07%	396,026
Community and Power Centers	7.07%	314,430	3.06%	93,084
Other (Freestanding)	2.2%	69,836	2.29%	69,926
Total	4.76%	628,742	4.68%	621,525

OFFICE - CBD				
	Vacancy Rate (%)	Vacant (SF)	Vacancy Rate (%)	Vacant (SF)
Class A	9.99%	170,372	12.10%	205,245
Class B	9.69%	176,779	10.39%	189,514
Total	9.84%	347,151	11.21%	394,759

OFFICE - SUBURBAN				
	Vacancy Rate (%)	Vacant (SF)	Vacancy Rate (%)	Vacant (SF)
Class A	11.70%	292,881	9.94%	248,842
Class B	13.99%	854,663	14.28%	863,543
Total	13.32%	1,147,544	13.01%	1,112,385

INDUSTRIAL				
	Vacancy Rate (%)	Vacant (SF)	Vacancy Rate (%)	Vacant (SF)
Bulk Warehouse	1.63%	139,832	0.58%	50,070
Distribution	1.99%	75,918	2.62%	99,017
High Tech & R&D	11.06%	45,479	15.05%	68,644
Manufacturing	26.35%	794,124	26.15%	788,101
Flex	7.97%	166,358	7.97%	110,966
Total	9.15%	1,221,711	9.15%	1,116,798



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2023

Demographics

LEXINGTON, KY MARKET DEMOGRAPHICS

Demographic	2023 Summary	2028 Projection
Population	327,130	331,259
Households	136,857	138,709
Average Household Income	\$93,797	\$107,202
Median Age	36.1	36.8

LEXINGTON, MSA* MARKET DEMOGRAPHICS

Demographic	2023 Summary	2028 Projection
Population	525,150	535,965
Households	214,052	218,317
Average Household Income	\$93,615	\$106,743
Median Age	37.4	38.1

*Lexington, KY MSA includes Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford Counties.

OUR TEAM

ABOUT US

NAI Isaac

NAI Isaac is a Lexington, Kentucky-based firm providing a full range of commercial real estate services to clients throughout Central Kentucky and beyond. NAI Isaac professionals are relationship-oriented, performance-driven and service-focused. Our satisfied clients include developers, private investors, corporations, institutions, non-profits, small businesses, and REITs. We maintain long-term client relationships through skill, knowledge, dedication, and determination.

NAI agents offer a range of expertise that allow us to successfully address any real estate opportunity or challenge. Our experienced brokerage team specializes in the acquisition and disposition of commercial properties encompassing retail, office industrial, land, mixed-use, investment and development opportunities, as well as leasing in all these property types. NAI Isaac also offers comprehensive property management, operations management, asset improvement projects, maintenance and upkeep, rent collections, receivership, and REO dispositions.

NAI Isaac has been designated an Accredited Management Organization (AMO) through the Institute of Real Estate Management (IREM). NAI Isaac is the only commercial real estate firm to achieve this designation in Central Kentucky, the firm's management team currently services over 4.2 million square feet of retail, office, and industrial space throughout the Commonwealth.

NAI Isaac is the Central Kentucky affiliate for NAI Global, a leading international commercial real estate brokerage firm. Members of NAI Global are local firms who have chosen, and been chosen, to be a part of the global network of more than 300 offices strategically located throughout North America, Latin America, the Caribbean, Europe, Africa, and Asia Pacific. Each affiliate is independently owned, and unwaveringly committed to excellence in the services they provide.



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Al Isaac
President



Paul Ray Smith
Executive Vice President



Bruce R. Isaac, SIOR, CCIM
Senior Vice President



Jim Kemper
Vice President



Chad Voelkert
Vice President



Jamie Adams, CCIM
Vice President



John P. Miller
Assistant Vice President



Jim Holbrook
Assistant Vice President



J.L. Cannady, CCIM
Assistant Vice President



Zach Smith
Associate

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