

# CENTRAL BUSINESS DISTRICT FOURTH QUARTER 2013 OFFICE MARKET STUDY



**COLEMAN GROUP**  
COMMERCIAL REAL ESTATE & PROPERTY MANAGEMENT

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## LEXINGTON CENTRAL BUSINESS DISTRICT OFFICE MARKET (4<sup>th</sup> Quarter - 2013)

Coleman Group, LLC has prepared the enclosed Central Business District Office Market Study designed to track vacancy and rent levels of Central Business District office space in Lexington, Kentucky. Coleman Group has chosen 26 buildings containing 2,093,200 square feet of office space to represent the Central Business District. An overview of the Lexington area economy and demographics is included here to present the business climate in which these 26 buildings exist. Finally, Coleman Group, LLC has provided a summary of the vacancy and rent levels, as shown in the following table, to be used for comparison purposes for a specific property or properties.

- There is approximately 2,093,200 square feet (SF) of rentable class A and B office space in the Central Business District.
- At this time, 288,684 square feet are vacant indicating a vacancy rate of 11.91%.
- 61,732 square feet are available for sublease, which brings the total available square footage to 311,084. The combined vacancy rate is 14.86%.
- Since our last study, compiled in 4th quarter 2012, the vacancy rate has decreased from 14.46% to 11.91%. This represents a 2.55% decrease in actual vacancy. Including sublease availability, the vacancy rate has increased point .40%, from 14.46% in Q4 2012 to 14.86% in Q4 2013.

### Analysis of Total SQ. FT.

Type	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate
Available	2,093,200	249,352	11.91%
Sublease Available		61,732	2.95 %
<b>TOTAL</b>	<b>2,093,200</b>	<b>311,084</b>	<b>14.86%</b>

For the purposes of this study, the Central Business District office space surveyed is either class A or Class B. Of the 26 buildings surveyed in the Central Business District, 12 are Class A office buildings. The remaining 14 used in this study are Class B office buildings. The average quoted rent for the Class A office buildings is \$17.58, within a range of \$16.50 - \$20.95 per square foot. The average quoted rent for the Class B office buildings is \$15.24, within a range of \$11.00 - \$16.50 per square foot.

As of the end of the fourth quarter 2013, the breakdown between the Class A and Class B space is as follows:

### Central Business District Class A & B

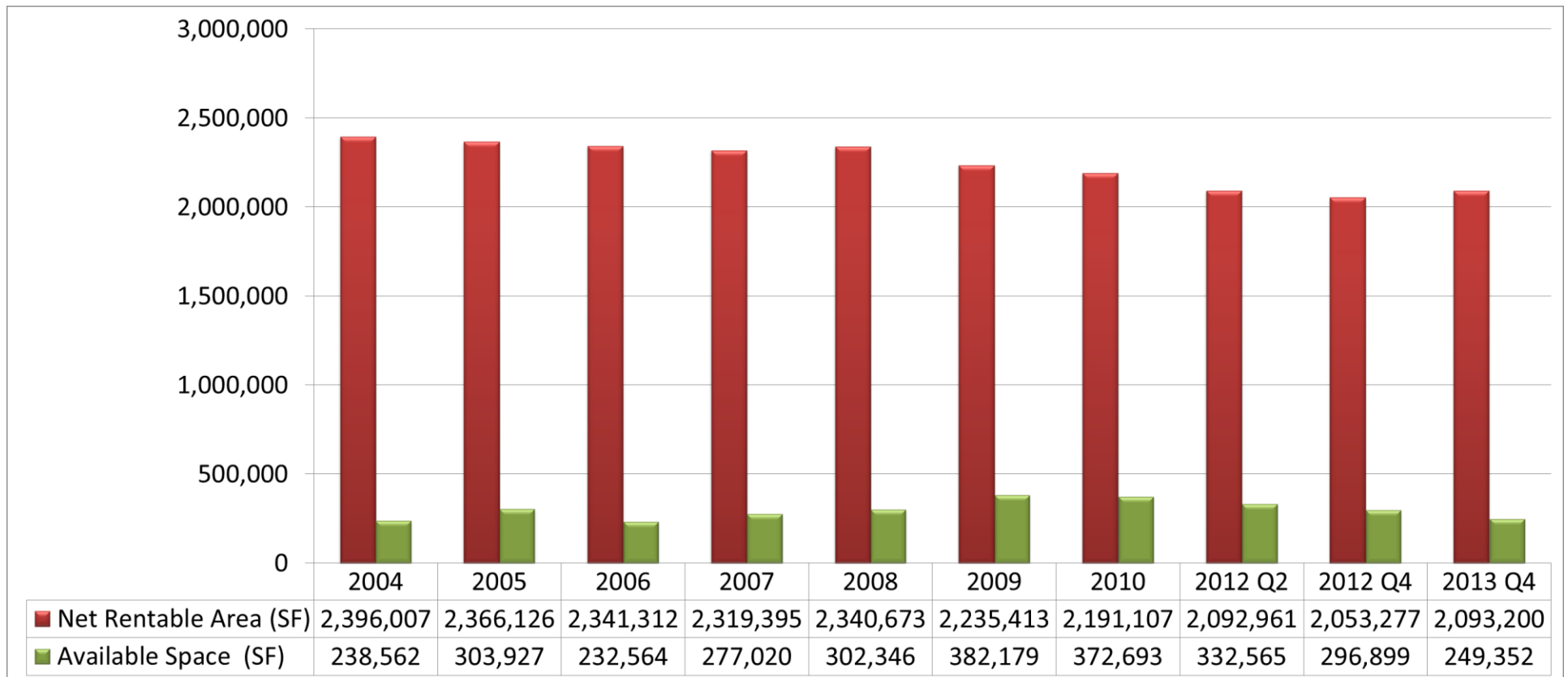
Type	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate
<b>CLASS A</b>	1,574,522	288,684	18.33%
<b>CLASS B</b>	518,678	22,400	4.32%
<b>TOTAL</b>	<b>2,093,200</b>	<b>311,084</b>	<b>14.86%</b>

### Methods

Coleman Group, LLC gathered data for this Market Study via independently developed web-based surveys and telephone interviews of the listing agents, owners, and/or leasing contacts assigned to properties of interest. When the listing agent was unreachable, Coleman Group, LLC drew required data from CoStar.com, "the world leader for commercial real estate intelligence."



## Available Space Trend 2004-2013



## Vacancy Rate Trend 2004-2013



## Rental Rate Trend 2004-2013



# THE LEXINGTON CENTRAL BUSINESS DISTRICT MARKET

The classification of office space is most often related to location, use of land, and description of the property. The Lexington Central Business District office market is office space that is located in the heart of the downtown area with easy connection to the interstate highways and main throughways. These locations rely on the highly populated center of the city with easy access to banks and the financial center of the city. The lack of on-site parking is the major disadvantage of downtown office space compared to suburban office space. Although there is adequate parking to serve the downtown office market, this is an additional expense to the tenant and its employees as well as an inconvenience. With the limited amount of parking available and the added expense of this parking, the abundant parking in the suburban districts can be a determining factor in location decisions. This is especially important if the tenant does not need to be located in the Central Business District to adequately perform business activities. The convenience of being downtown is in many cases more important than the issue of adequate and convenient parking. The Central Business District is typically the major location, as stated before, for service industries such as banks, insurance companies, law firms, accounting firms, etc. that rely on their downtown location for success.

## TRANSPORTATION

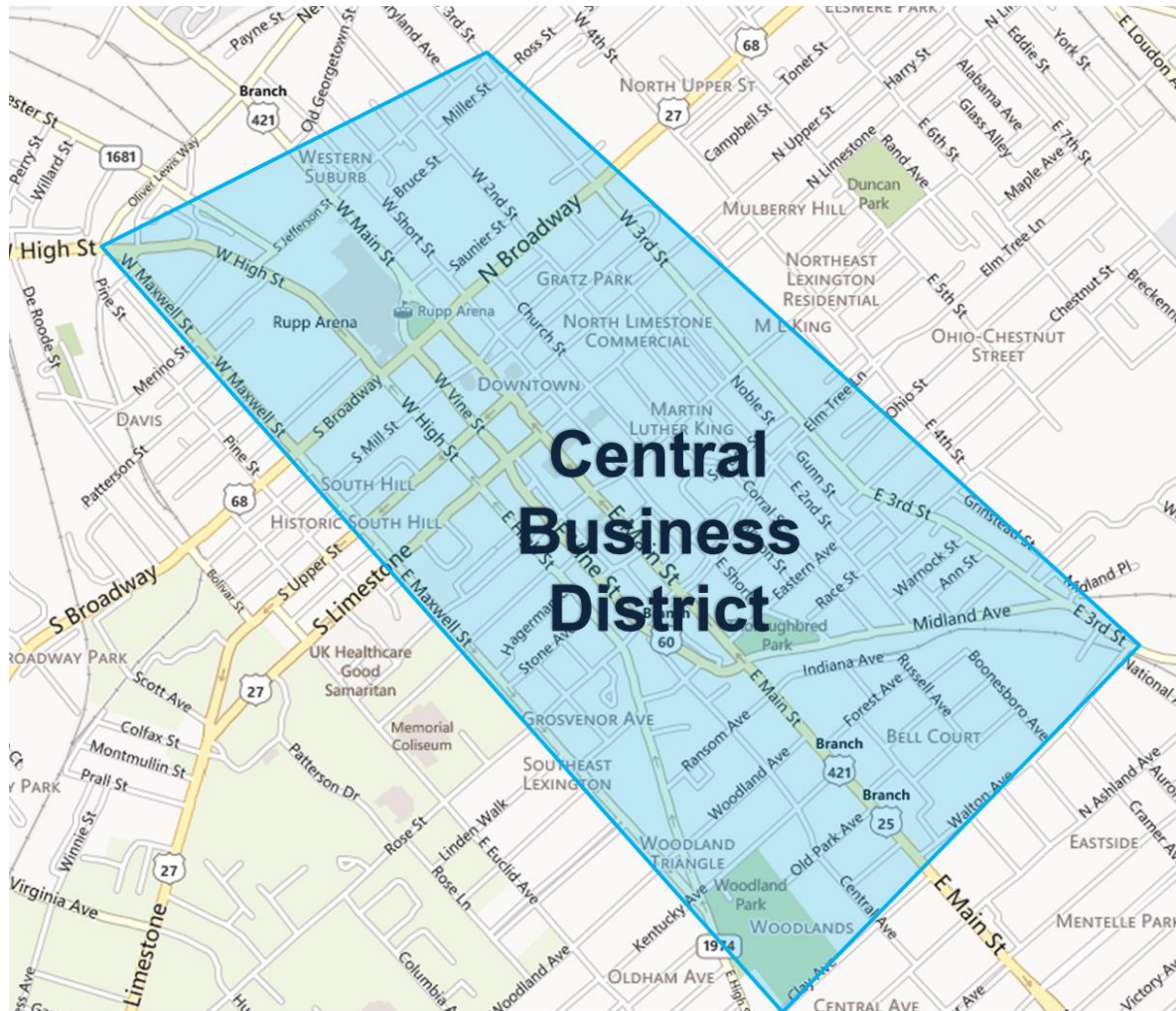
New Circle Road connects to US 421, US 25, US 27, US 60, and US 68. These arteries connect to Interstate 75 and 64, which join in the northeast portion and extend in a general northwest/southeast direction. New Circle Road (State Route 4) is one of the two highway “loop” systems that circle the inner city for easy access to the northern and eastern portions and Man O’ War Boulevard in the southern and southwestern portions. The major airport serving the Lexington area is the Blue Grass Airport. The airport is located in the western portion of the metropolitan area and provides flights for commercial, private, and corporate passengers in addition to cargo shipments. Blue Grass Airport averages 42 daily flights and as such serves as the primary air transportation provider in Central Kentucky. In 2010, the airport served a little over one million passengers with 7 major airlines with non-stop service to 15 major hub cities and connecting service to hundreds of cities worldwide.

## FOUR QUADRANTS

The Central Business District office market area is separate from and the focal point to the *North* (between Leestown Road and Paris Pike), *South* (between Richmond Road and Nicholasville Road), *East* (between Paris Pike and Richmond Road), and *West* (between Nicholasville Road and Leestown Pike) quadrants of Lexington KY.

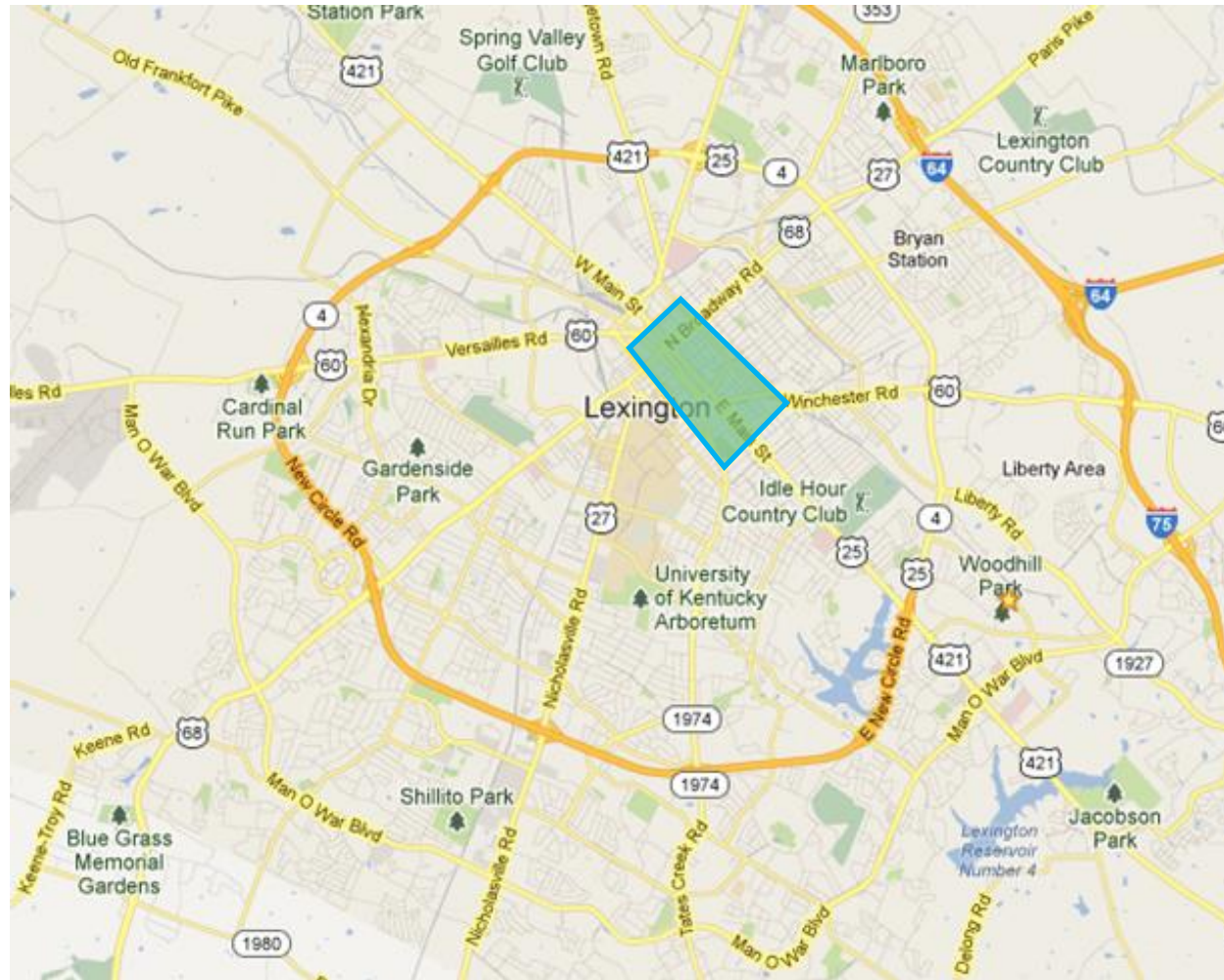
The Lexington CBD's boundaries (for the purposes of this study, some boundaries may differ based on local opinion)

North:	Third Street	South:	Maxwell Street
West:	Jefferson Street	East:	Walton Avenue





The Central Business District is typically considered the core of the city where the major retail, financial, governmental and professional service activities are concentrated. The following map gives a general location of the Central Business District (Highlighted in Blue) in Lexington, Kentucky:



*Although the sources of the information presented in this survey are considered accurate and reliable, Coleman Group, LLC makes no guarantee, warranty or representation of any kind expressed or implied concerning the data provided.*



Building Name Address	Company Contact Phone	NRA (SF)	Space Available (SF)	% Vacant	Quoted Rent (PSF)	Lease Type	Comments
<b>300 East Main Street</b>	Ken Silvestri Commercial Group Ken Silvestri (859) 263-2300	55,593	5,000	8.99%	\$14.40	Gross	Office Condo Building
<b>300 West Vine Building 300 West Vine Street</b>	Langley Properties Scott Davidson (859) 253-2255	350,510	32,019	9.13%	\$18.50	Base Year	TI Allowance Negotiable
<b>400 Old Vine Center 400 Old Vine Street</b>	Zeff Maloney (859) 321-1749	29,000	0	0.00%	Not Disclosed		
<b>5<sup>th</sup> /3<sup>rd</sup> Bank Building 250 West Main Street</b>	The Webb Companies Ken Michul (859) 253-0000	357,000	40,229	11.27%	\$20.95	Base Year	22888 SF is sublease availability; TI Allowance Negotiable
<b>710 East Main Street</b>	Schrader Commercial Properties Jamie Schrader (859) 288-5008	4,770	2,414	50.61%	\$17.75	NNN	2414 SF is sublease availability.
<b>Barrister Hall 163 East Main Street</b>	Joe Rosenberg (859) 255-6877	27,283	0	0.00%	Not Disclosed		Owner Occupied
<b>Bluegrass Corporate Ctr. 333 West Vine Street</b>	Coleman Group, LLC Isa Mashni (859) 255-8855	242,157	48,804	20.15%	\$14.00-\$17.50	Gross	Full Service; TI Allowance Negotiable
<b>Chase Tower 201 East Main Street</b>	NAI Isaac Paul Ray Smith (858) 244-2000	230,522	98,809	42.86%	\$17.00	Base Year	36430 SF is sublease availability; TI Allowance Negotiable
<b>CMW Architects 400 East Vine Street</b>	A.S. de Movellan Real Estate Jennifer Mossotti (859) 312-7683	36,272	17,374	47.90%	15.89-19.14	Gross	TI Allowance Negotiable
<b>Community Bank Building 100 East Vine Street</b>	Coleman Group, LLC Isa Mashni (859) 255-8855	80,611	1,113	1.38%	\$17.00	Gross	Last suite available; Full Service; KY League of Cities Headquarters

Building Name Address	Company Contact Phone	NRA (SF)	Space Available (SF)	% Vacant	Quoted Rent (PSF)	Lease Type	Comments
<b>First Federal Bldg.</b> 110 West Vine Street	Coleman Group, LLC Bob Cole (859) 255-8855	42,573	0	0.00%	Not Disclosed	Gross	
<b>Goodwin Square</b> 444 East Main Street	Schrader Commercial Properties Jamie Schrader (859) 288-5008	45,692	5,388	11.79%	\$19.00	Modified Gross	
<b>Hisle Building</b> 277 East High Street	Hisle & Co. Kent Hisle (859) 259-3403	14,000	500	3.57%	\$12.00	Modified Gross	Available Parking lot
<b>Landrum &amp; Shouse Bldg.</b> 106 West Vine Street	Landrum & Shouse Larry Deener (859) 255-2424	63,693	0	0.00%	Not Disclosed	Gross	
<b>Lexington Court Square</b> 269 West Main Street	Sotheby's International Chris Mitchell (859) 321-2898	39,000	11,400	29.23%	\$16.50	Base Year	
<b>Meyers Building</b> 175 East Main Street	Schrader Commercial Properties Jamie Schrader (859) 288-5008	45,000	11,727	26.06%	\$17.50	Modified Gross	Full Service
<b>PNC Tower</b> 301 East Main Street	The Gibson Company Greg Erwin (859) 224-8833	122,987	26,329	22.30%	\$16.50	Base Year	Full Service
<b>PWM Building</b> 360 East Vine Street	The Webb Companies Ken Michul (859) 253-0000	39,684	4,478	11.28%	17.95-19.50	Base Year	TI Allowance Negotiable
<b>Raymond James Building</b> 489 East Main Street	The Webb Companies Ken Michul (859) 253-0000	12,757	0	0.00%	Not Disclosed	Gross	
<b>Security Trust Bldg.</b> 271 West Short Street	Benezet & Associates Chris Benezet (859) 885-1692	48,895	1,100	2.25%	\$11.50	Modified Gross	Tenant pays electric; TI Allowance Negotiable

Building Name Address	Company Contact Phone	NRA (SF)	Space Available (SF)	% Vacant	Quoted Rent (PSF)	Lease Type	Comments
<b>The 465 Building</b> 465 East High Street	Todd Stockwell (859) 223-3400	24,285	2,400	9.88%	\$14.00	Gross	TI Allowance Negotiable; On-Site Parking
<b>The Lions Building</b> 155 East Main Street	Todd Stockwell (859) 223-3400	27,283	2,000	7.33%	\$14.5	Gross	Will divide to 1000 SF; TI Allowance Negotiable
<b>Thomas and King</b> 249 East Main Street	Bill Hilliard (859) 254-2180	41,176	0	0.00%	Not Disclosed	Modified Gross	Primarily Owner Occupied
<b>Traditional Bank Building</b> 163 West Short Street	Ted Mims (859) 621-6467	35,000	0	0.00%	Not Disclosed	Gross	
<b>US Attorney's Bldg.</b> 260 West Vine Street	Coleman Group, LLC Bob Cole (859) 255-8855	58,140	0	0.00%	Not Disclosed		US Attorney Headquarters
<b>West Main Place</b> 565-585 West Main Street	The Webb Companies Ken Michul (859) 253-0000	19,317	0	0.00%	Not Disclosed	NNN	
<b>TOTALS FOR CENTRAL BUSINESS DISTRICT</b>		<b>2,093,200</b>	<b>311,084</b>	<b>14.86%</b>			