

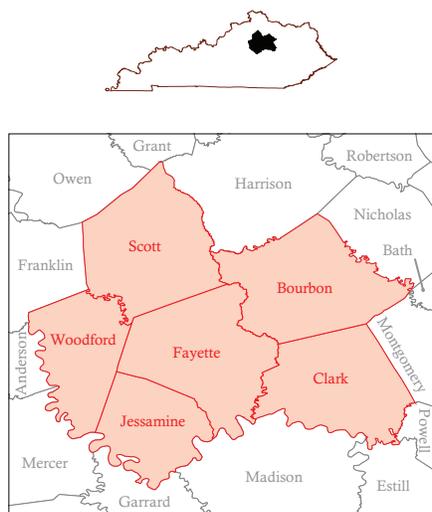


# Lexington, Kentucky

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2014



## Housing Market Area



The Lexington Housing Market Area (HMA), which is coterminous with the Lexington-Fayette, KY Metropolitan Statistical Area, consists of Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford Counties in east-central Kentucky. The city of Lexington, in the Kentucky Bluegrass region, is known as the “Horse Capital of the World.”

## Market Details

- Economic Conditions ..... 2
- Population and Households ..... 4
- Housing Market Trends ..... 5
- Data Profile ..... 9

## Summary

### Economy

Economic conditions in the Lexington HMA continued to recover during the most recent 12 months after a period of contraction from 2008 through 2009. During the 12 months ending March 2014, nonfarm payrolls grew by 2,900 jobs, or 1.1 percent, compared with an increase of 4,400 jobs, or 1.8 percent, during the 12 months ending March 2013. Nonfarm payrolls are projected to increase an average of 0.9 percent annually during the 3-year forecast period.

### Sales Market

The sales housing market in the HMA is soft. During the 12 months ending March 2014, new and existing home sales increased 6 percent, to 5,775 homes. Demand is expected for 3,625 new homes during the forecast period (Table 1). The 400 homes currently under construction and a portion of the 6,800 other vacant units in the HMA that may reenter the market will likely satisfy some of the forecast demand.

### Rental Market

The rental housing market in the HMA is soft, with an 8.2-percent overall rental vacancy rate, down from 9.9 percent in April 2010. Market conditions began to improve in 2010, because builders reduced production levels in response to soft markets. During the forecast period, demand is expected for 850 new rental units, of which 400 are currently under construction (Table 1).

**Table 1.** Housing Demand in the Lexington HMA, 3-Year Forecast, April 1, 2014, to April 1, 2017

	Lexington HMA	
	Sales Units	Rental Units
Total demand	3,625	850
Under construction	400	400

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2014. A portion of the estimated 6,800 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

# Economic Conditions

Economic conditions in the Lexington HMA are continuing the recovery that began during 2010. During the 12 months ending March 2014, nonfarm payrolls increased by 2,900 jobs, or 1.1 percent, to 257,900 (Table 2) compared with an increase of 4,400 jobs, or 1.8 percent, during the 12 months ending March 2013. Before the recovery, payrolls declined from 2008 through 2009 by an average of 6,700 jobs, or 2.6 percent, annually from a peak of 258,200 jobs. During this time, job losses occurred in every nonfarm payroll sector except the education and

health services and the government sectors; however, one-third of the total losses were in the manufacturing sector. The largest employers in the HMA are the University of Kentucky (UK) and Toyota Motor Manufacturing, Kentucky, Inc., with 14,000 and 7,900 employees, respectively (Table 3).

Net gains in nonfarm payrolls were primarily the result of gains in the government and the professional and business services sectors during the 12 months ending March 2014. The government sector led job growth with the addition of 1,500 jobs, a 2.9-percent increase from the previous 12 months. The sector is the largest in the HMA and accounted for 20.7 percent of nonfarm jobs during the 12 months ending March 2014 (Figure 1). Four of the six largest employers in the HMA are in the government sector, including UK. The university had 28,950 students and annual expenditures of \$2.7 billion during 2012. Enrollment at UK has increased 3 percent each year since 2000 and is expected to continue to increase to 29,500 by 2015. Figure 2 displays sector growth in the Lexington HMA from 2000 to the current date.

The professional and business services sector recorded the second most job gains in the HMA during the past 12 months. During the 12 months ending March 2014, the sector added 1,300 jobs, a 4.0-percent increase from the previous 12-month period. Corporate headquarters, which include Lexmark International, Inc.; Papa John's International, Inc.; and Rhino Resource Partners LP, account for a portion of these jobs. Creative Lodging Solutions, a travel services company based in the city of Lexington, plans to hire 120 people during the next year. In April

**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Lexington HMA, by Sector**

	12 Months Ending		Absolute Change	Percent Change
	March 2013	March 2014		
Total nonfarm payroll jobs	255,000	257,900	2,900	1.1
Goods-producing sectors	39,400	39,800	400	1.0
Mining, logging, & construction	10,200	10,400	200	2.0
Manufacturing	29,200	29,400	200	0.7
Service-providing sectors	215,600	218,100	2,500	1.2
Wholesale & retail trade	37,500	37,500	0	0.0
Transportation & utilities	8,800	8,900	100	1.1
Information	5,800	5,600	-200	-3.4
Financial activities	9,700	9,700	0	0.0
Professional & business services	32,800	34,100	1,300	4.0
Education & health services	33,000	33,300	300	0.9
Leisure & hospitality	26,900	26,600	-300	-1.1
Other services	9,300	9,100	-200	-2.2
Government	51,800	53,300	1,500	2.9

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2013 and March 2014.

Source: U.S. Bureau of Labor Statistics

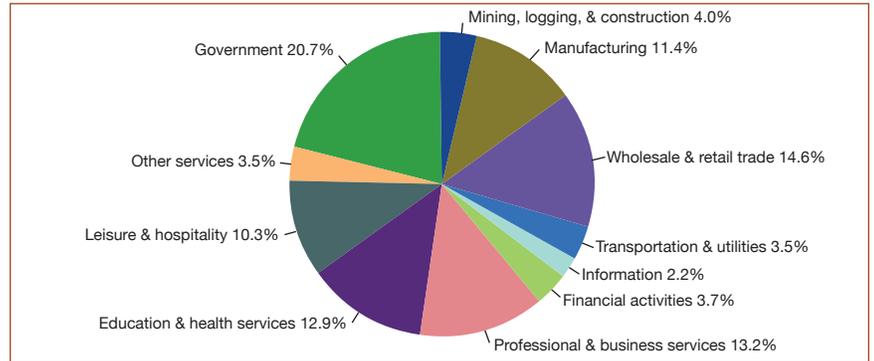
**Table 3. Major Employers in the Lexington HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Kentucky	Government	14,000
Toyota Motor Manufacturing, Kentucky, Inc.	Manufacturing	7,900
Kentucky Transportation Cabinet	Government	4,500
Kentucky Cabinet for Health and Family Services	Government	3,600
KentuckyOne Health Inc.	Education & health services	3,000
Lexington-Fayette Urban County Government	Government	2,700
Lexmark International, Inc.	Professional & business services	2,650
Xerox Corporation	Professional & business services	2,525
Baptist Health	Education & health services	2,500
Wal-Mart Stores, Inc.	Wholesale & retail trade	2,025

Note: Excludes local school districts.

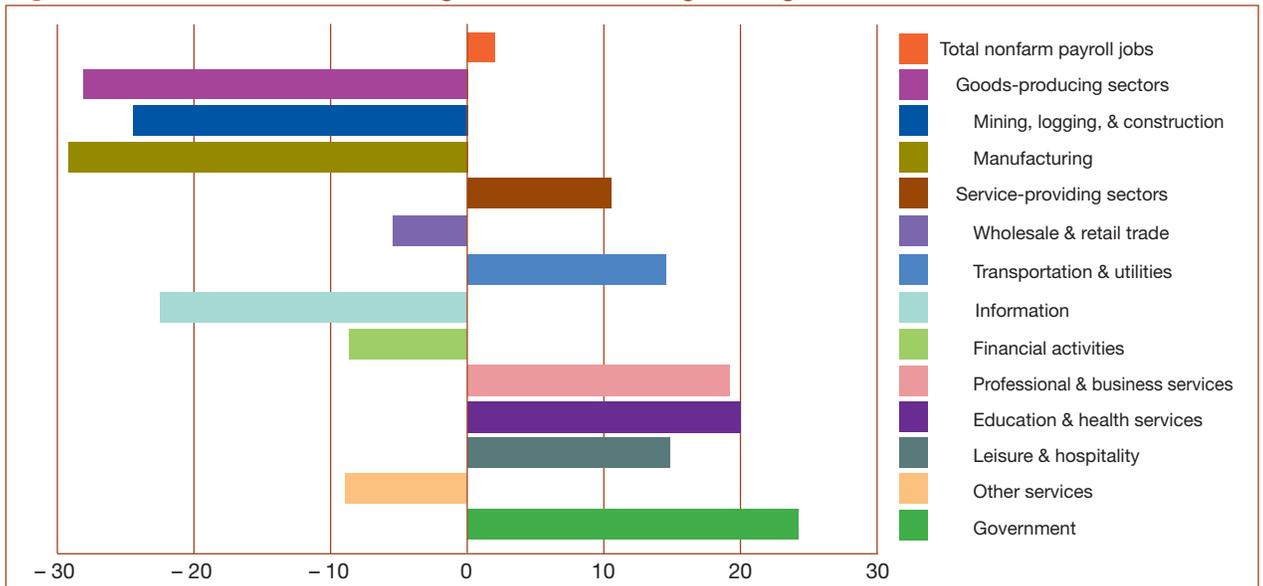
Source: Commerce Lexington, Inc.

**Figure 1. Current Nonfarm Payroll Jobs in the Lexington HMA, by Sector**



Note: Based on 12-month averages through March 2014.  
Source: U.S. Bureau of Labor Statistics

**Figure 2. Sector Growth in the Lexington HMA, Percentage Change, 2000 to Current**



Note: Current is based on 12-month averages through March 2014.  
Source: U.S. Bureau of Labor Statistics

2014, Funai Lexington Technology Corporation will open a new inkjet and microfluidic technologies research facility in the city of Lexington, creating 50 jobs and investing \$4.2 million in the facility.

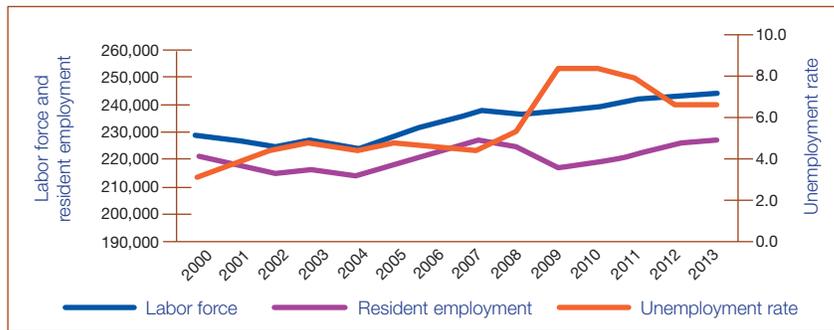
The leisure and hospitality, information, and other services sectors reduced payrolls during the 12 months ending March 2014. The sectors declined by 300, 200, and 200 jobs, or 1.1, 3.4, and 2.2 percent, respectively, compared with the number of jobs during the previous 12 months.

The decline in single-family and multifamily housing construction since 2009 has resulted in a significant decline in construction jobs in the HMA. Employment in the mining, logging, and construction sector declined by an average of 900 jobs annually from 2009 through 2010, remained unchanged in 2011, and then increased by 300 jobs during 2012. During the 12 months ending March 2014, the mining, logging, and construction sector increased by 200 jobs, or 2.0 percent. During the same period, the unemployment rate

in the HMA averaged 6.7 percent, up slightly from 6.6 percent during the previous 12 months. The increase in the unemployment rate was because

the labor force increased slightly more than resident employment. Figure 3 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2013.

**Figure 3.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Lexington HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

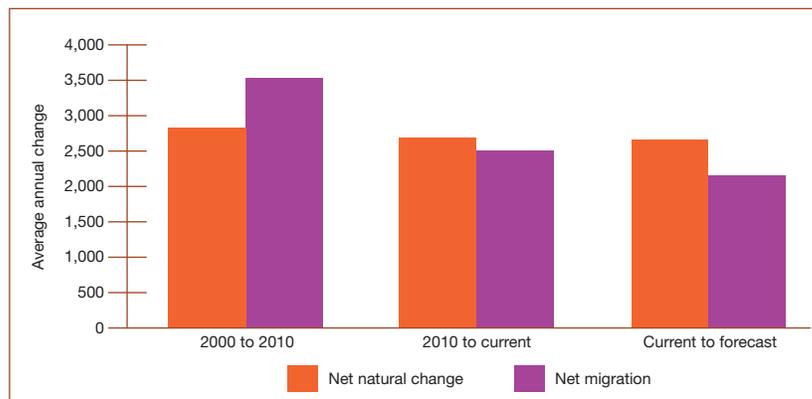
During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.9 percent annually. Job growth is expected to moderate during the forecast period as the local economy transitions from recovery to more stable, sustainable growth. Growth is expected to occur primarily in the service-providing sectors, with moderate increases in the goods-producing sectors.

## Population and Households

As of April 1, 2014, the estimated population of the Lexington HMA was 493,000, reflecting an average annual increase of 5,225, or 1.1 percent, since April 1, 2010. Although the economy has improved, population growth since 2010 has been less than the average annual increase of 6,375 people, or 1.5 percent, recorded during the 2000s.

Average annual net in-migration of 3,550 people during the 2000s and of 2,550 people from 2010 to the current date accounted for 56 and 49 percent of the population increase during those periods, respectively (Figure 4). Nearly 75 percent of the net in-migration since 2010 has occurred in Fayette County, which accounts for about 60 percent of the population in the HMA. During the same period, 45 percent of the net in-migration was from outside the United States. The population growth rate is expected to decline slightly to an average of 1.0 percent, or 4,900 people, annually during the 3-year forecast period as the job growth in the HMA stabilizes. The population of the HMA is expected to reach 507,700 by April 1, 2017. Table DP-1, at the end of this report, provides information on the population growth in the HMA from 2000 to the current date.

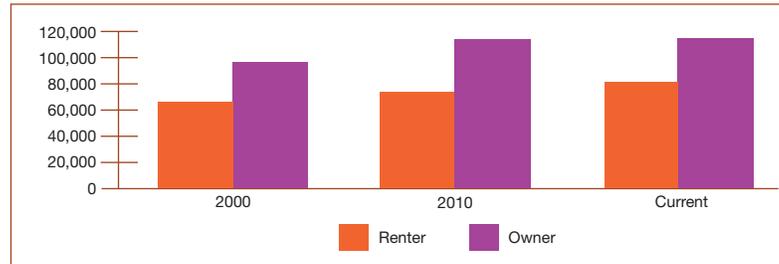
**Figure 4.** Components of Population Change in the Lexington HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

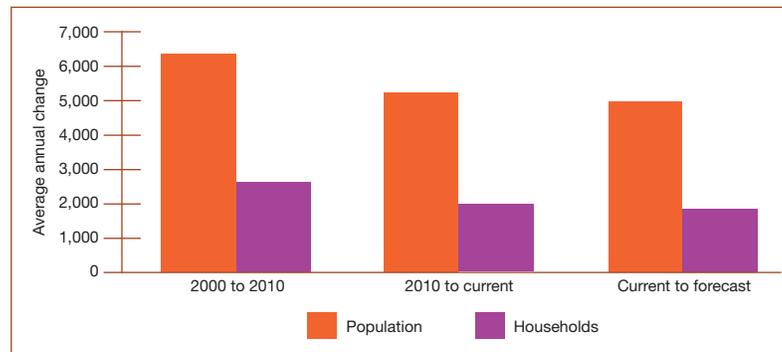
## Population and Households *Continued*

**Figure 5.** Number of Households by Tenure in the Lexington HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

**Figure 6.** Population and Household Growth in the Lexington HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

An estimated 198,150 households currently reside in the HMA. Growth in the number of households, which has averaged 1.0 percent annually since 2010, is expected to continue at a slightly lower rate during the forecast period. Figure 5 shows the number of households by tenure from 2000 to the current date. From 2010 to the current date, the homeownership rate in the HMA decreased from 60.3 to 58.6 percent, as tightened lending standards and increased foreclosures affected homeownership. The number of households in the HMA is expected to grow by 1,825, or 0.9 percent, annually during the next 3 years to total 203,600. Figure 6 shows population and household trends in the HMA from 2000 to the forecast date.

## Housing Market Trends

### Sales Market

The sales housing market in the Lexington HMA is soft, with a 2.4-percent estimated vacancy rate, down from the 2.8-percent rate reported in the 2010 Census. During the 12 months ending March 2014, existing single-family home sales totaled 5,450, an increase of nearly 7 percent compared with the number sold during the previous 12 months (Metrostudy, A Hanley Wood Company). Existing home sales averaged 3,425 homes sold annually from 2008 through 2009, and then increased to average 4,175 homes sold annually from 2010 through 2011. Existing home sales prices decreased

during the 12 months ending March 2014 for regular properties but increased slightly for REO (Real Estate Owned) properties. The average sales price of an REO property increased less than 1 percent, to \$115,500, during the 12 months ending March 2014, as the number of sales increased 13 percent, to 670 homes. During the same period, existing home sales prices, excluding REO properties, decreased 1 percent, to \$190,800, as the number of sales increased 6 percent, to 4,775 homes. The increased proportion of sales that were REO properties resulted in a 2-percent decrease

in overall existing home sales prices. REO sales accounted for approximately 13 percent of existing sales in 2013, up from 11 and 12 percent in 2012 and 2011, respectively. As of March 2014, 3.6 percent of total home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.5 percent a year earlier (Black Knight Financial Services, Inc.). The rate of distressed mortgages and REO properties in the HMA remains less than the state rate of 5.0 percent and the national rate of 5.2 percent.

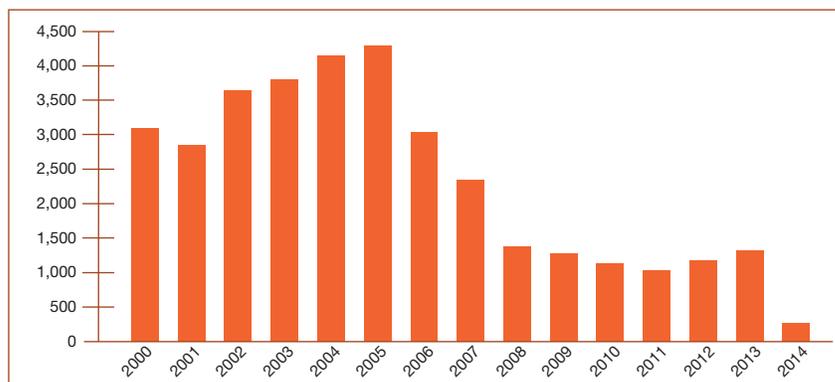
During the 12 months ending March 2014, new home sales activity remained unchanged compared with the number of homes sold during the previous 12 months, at 330 homes sold (Metrostudy, A Hanley Wood Company). Severe winter weather in the HMA slowed sales activity during the first quarter of 2014 to 70 new homes sold compared with the 100 new homes sold during the first quarter of 2013. New home sales declined from an average of 570 homes sold annually during 2007 and 2008 to an average of 380 homes sold annually

from 2009 through 2011. As sales activity remained unchanged during the past 12 months, the average price of new homes sold increased, partly because higher priced homes comprised a greater percentage of homes sold in the HMA. During the 12 months ending March 2014, the average new home sales price increased to \$239,300, a 5-percent increase from the previous 12 months.

Single-family home construction activity, as measured by the number of single-family homes permitted, has increased in the HMA since 2012 but remains much less than the peak of 4,325 homes permitted in 2005. During the 12 months ending March 2014, the number of single-family homes permitted increased to 1,350, up 18 percent from 1,150 homes permitted during previous 12 months (preliminary data). Figure 7 shows the number of single-family homes permitted in the HMA from 2000 to the current date. Ball Homes, LLC, has completed nearly 70 percent of all single-family construction in the HMA since 2011, in communities throughout the HMA.

During the next 3 years, demand is estimated for 3,625 new market-rate homes in the HMA (Table 1). Most of the demand is expected for homes priced between \$150,000 and \$299,999. The 400 homes currently under construction and a portion of the 6,800 other vacant units in the HMA that may reenter the market will satisfy some of the forecast demand. Table 4 illustrates estimated demand for new market-rate sales housing in the HMA, by price range, during the 3-year forecast period.

**Figure 7.** Single-Family Homes Permitted in the Lexington HMA, 2000 to 2014



Notes: Includes townhomes. Includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Lexington HMA, April 1, 2014, to April 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	470	13.0
150,000	199,999	910	25.0
200,000	249,999	830	23.0
250,000	299,999	980	27.0
300,000	499,999	400	11.0
500,000	and higher	35	1.0

*Note: The 400 homes currently under construction and a portion of the estimated 6,800 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

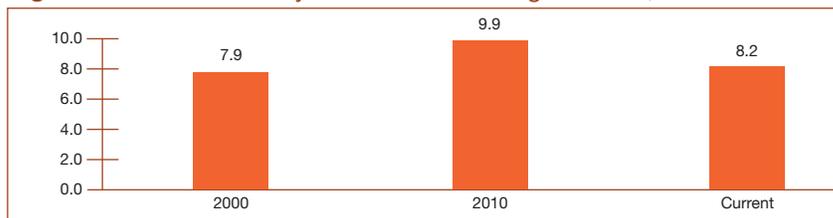
## Rental Market

The rental housing market in the Lexington HMA is soft, with an estimated 8.2-percent overall rental vacancy rate, down from the 9.9-percent rate reported in the 2010 Census (Figure 8). Despite the soft overall rental market, the apartment market is balanced. Traditional apartment buildings with five or more units comprise about 41 percent of the rental market, and single-family homes comprise 37 percent of the rental market.

The average apartment vacancy rate was 5.6 percent in the first quarter of 2014, up slightly from 5.2 percent in the first quarter of 2013 (Reis, Inc.). Asking rents averaged \$610 for a one-bedroom unit, \$740 for a two-bedroom unit, and \$980 for a three-bedroom unit. The average apartment rent was \$690 in the first quarter of 2014, up 1 percent from \$680 in the first quarter of 2013.

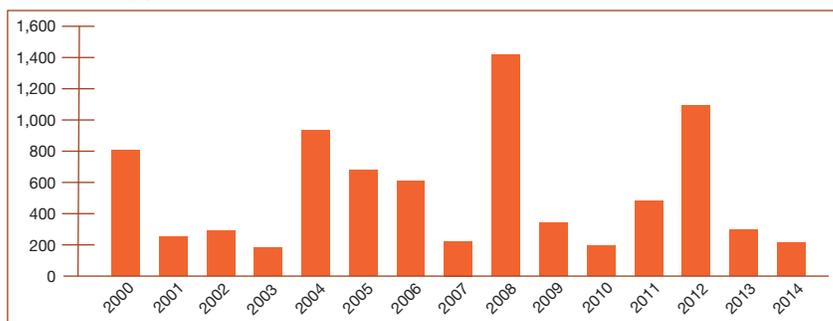
Multifamily construction activity, as measured by the number of multifamily units (including condominiums) permitted, increased during the past 12 months, reflecting an increased preference for rental properties and demand near UK (Figure 9). The number of multifamily units permitted, however, remains much less than the average annual numbers recorded from 2004 through 2008, when the rental market was tight. Overproduction during this period resulted in a soft apartment market, which has not fully recovered despite reduced multifamily permitting. During the 12 months ending March 2014, the number of multifamily units permitted increased to 590 compared with the 250 units permitted during the previous 12-month period (preliminary data). The number of multifamily

**Figure 8.** Rental Vacancy Rates in the Lexington HMA, 2000 to Current



*Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst*

**Figure 9.** Multifamily Units Permitted in the Lexington HMA, 2000 to 2014



*Notes: Excludes townhomes. Includes data through March 2014.*

*Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst*

## Housing Market Trends

### Rental Market *Continued*

units permitted in the past 12 months increased from the average of 530 units permitted annually from 2009 through 2012 but remains less than the average of 780 units permitted annually from 2004 through 2008. The most recent multifamily development, completed in January 2014, was 300 At The Circle, a 300-unit complex near UK. Asking rents at the project start at \$645 for a one-bedroom unit, \$725 for a two-bedroom unit, and \$870 for a three-bedroom unit. Units under construction include Springs at Winchester Road Apartments, a 252-unit complex expected to open in August 2014 near downtown Lexington. Asking rents at the project will start at \$825 for a one-bedroom unit, \$975 for a two-bedroom unit, and \$1,175 for a three-bedroom unit.

Increased enrollment at UK resulted in an increased demand for student housing. Off-campus apartments that cater exclusively to students meet a portion of the demand. The Collegiate and University Edge, with rents starting at \$545 and \$590, respectively, are

two of the most recent private student-housing complexes completed, housing more than 1,150 students combined.

UK currently houses about 6,350 of the 28,950 students enrolled at the university. The university has a comprehensive plan to increase housing to 9,000 beds by removing and replacing most of the current housing and adding beds on campus. The new dormitories will be built with private funds on land leased by the university. Central Halls I and II, which opened in August 2013 with a combined 601 beds, are the most recently completed dormitories on campus. By 2016, 12 new dormitories with about 5,733 new beds are expected to be complete, including Limestone I and II, with a combined 1,141 beds.

During the 3-year forecast period, demand is estimated for 850 new market-rate rental units in the HMA (Table 1). The 400 units currently under construction will meet a portion of this demand. Table 5 shows the estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Lexington HMA, April 1, 2014, to April 1, 2017

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
500 or more	25	600 to 799	170	750 to 949	280	850 to 1,049	250
		800 to 999	20	950 to 1,149	30	1,050 to 1,249	30
		1,000 or more	10	1,150 or more	20	1,250 or more	15
<b>Total</b>	<b>25</b>	<b>Total</b>	<b>200</b>	<b>Total</b>	<b>330</b>	<b>Total</b>	<b>300</b>

*Notes: Numbers may not add to totals because of rounding. The 400 units currently under construction will likely satisfy some of the estimated demand.*

*Source: Estimates by analyst*

# Data Profile

**Table DP-1.** Lexington HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	221,062	219,256	226,900	- 0.1	1.1
Unemployment rate	3.1%	8.4%	6.7%		
Nonfarm payroll jobs	253,100	246,000	257,900	- 0.3	1.5
Total population	408,326	472,099	493,000	1.5	1.1
Total households	163,854	190,142	198,150	1.5	1.0
Owner households	98,054	114,660	116,200	1.6	0.3
Percent owner	59.8%	60.3%	58.6%		
Renter households	65,800	75,482	81,950	1.4	2.1
Percent renter	40.2%	39.7%	41.4%		
Total housing units	175,262	209,138	215,100	1.8	0.7
Owner vacancy rate	1.3%	2.8%	2.4%		
Rental vacancy rate	7.9%	9.9%	8.2%		

*Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2014.*

*Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst*

## Data Definitions and Sources

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2000: 4/1/2000—U.S. Decennial Census  
2010: 4/1/2010—U.S. Decennial Census  
Current date: 4/1/2014—Analyst’s estimates  
Forecast period: 4/1/2014–4/1/2017—  
Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

**Demand:** The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

**Other Vacant Units:** In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

**Building Permits:** Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example,

some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [http://www.huduser.org/publications/pdf/CMARtables\\_LexingtonKY\\_14.pdf](http://www.huduser.org/publications/pdf/CMARtables_LexingtonKY_14.pdf).

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to  
[www.huduser.org/portal/ushmc/chma\\_archive.html](http://www.huduser.org/portal/ushmc/chma_archive.html).