

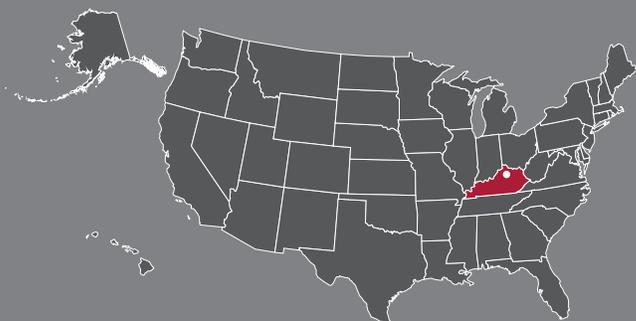
# HUD PD&R Housing Market Profiles

## Lexington, Kentucky



### Quick Facts About Lexington

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **In the Bluegrass Region, which includes the Lexington metropolitan area plus Franklin and Madison Counties, tourism accounts for \$2.05 billion in total expenditures, which is 14 percent of the state's total \$14.5 tourism impact (The Greater Lexington Chamber of Commerce, Inc.). Known as the Horse Capital of the World, the metropolitan area is also known for its world-famous bourbon distilleries.**



By Steve Walker | As of October 1, 2018

## Overview

The Lexington-Fayette (hereafter, Lexington) metropolitan area is coterminous with the Lexington-Fayette, KY Metropolitan Statistical Area and consists of Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford Counties, situated in east-central Kentucky among rolling hills and lush scenery. Home to the University of Kentucky, the Lexington metropolitan area serves as the beginning of the Bourbon Trail, a regional tour featuring 27 signature and craft distilleries with a 200-year history of making bourbon, Kentucky's ninth largest export.

- As of October 1, 2018, the population of the Lexington metropolitan area is estimated at 519,400, an average increase of 5,625, or 1.1 percent, annually, since April 2010.
- Population growth peaked from 2002 to 2009, averaging increases of 6,975, or 1.6 percent, annually, despite job losses in 2008 and 2009. From 2009 to 2014, the population growth rate slowed slightly while the population grew at an average 5,350 people, or 1.1 percent, annually.
- Net in-migration averaged 2,650 people annually and accounted for 50 percent of the total population growth from 2009 to 2014. By comparison, net in-migration increased from 2014 to 2018 to an average of 3,600 annually, which accounted for 59 percent of the total population growth.



## Economic Conditions

Economic conditions in the Lexington metropolitan area have been relatively strong since 2010, although nonfarm payroll growth has been slowing since 2016. Following the local economic downturn from 2008 through 2009, nonfarm payroll growth averaged 2.3 percent annually through 2016.

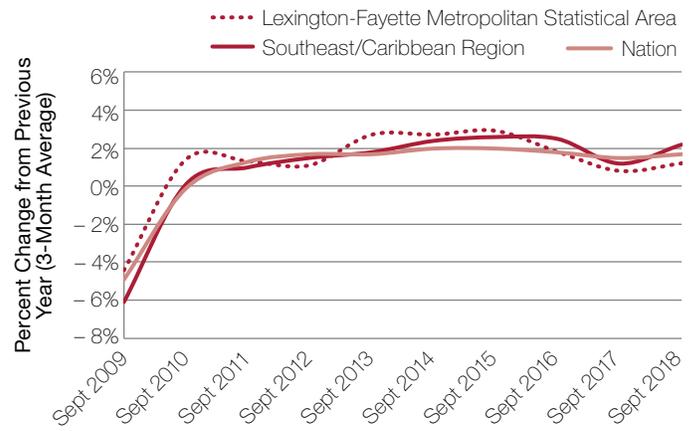
During the 3 months ending September 2018—

- Nonfarm payrolls rose to 280,400, an increase of 3,300 jobs, or 1.2 percent, from the 3 months ending September 2017 compared with 0.8-percent growth during the same period a year ago. The recent rate of growth was below the national rate of 1.7 percent but exceeded the Kentucky state rate of 0.8 percent.
- The transportation and utilities and the mining, logging, and construction sectors had the highest rates of growth, with increases of 1,000 and 900 jobs, respectively, or 8.3 and 6.5 percent. The leisure and hospitality sector had the largest absolute gain adding 1,400 jobs, or 4.5 percent.
- The largest absolute decline occurred in the professional and business services sector, which lost 400 jobs, or 1.0 percent. Part of the job decline in the sector can be attributed to The Boeing Company cutting 99 jobs in the second quarter of 2018.
- The unemployment rate declined to 3.5 percent, down from 3.8 percent during the same period a year ago, but below the peak of 8.4 percent in 2009. The current unemployment rate is the lowest rate for the metropolitan area since 2000 when the unemployment rate averaged 3.0 percent.

Several recent announcements should have a positive impact on the Lexington metropolitan area economy during the next few years. Amazon.com, Inc. announced plans in June 2018 to expand operations at their fulfillment center in Fayette County. The center is expected to create 600 full-time jobs to be filled during the next year. Toyota Motor Manufacturing in Lexington, Toyota's

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### Jobs grew in the Lexington area during the 3 months ending September 2018 but continued at a slower pace than both the Southeast Region and the nation.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

### In the Lexington area, four sectors lost jobs during the 3 months ending September 2018.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	277.1	280.4	3.3	1.2%
Goods-Producing Sectors	44.9	46.1	1.2	2.7%
Mining, Logging, & Construction	13.9	14.8	0.9	6.5%
Manufacturing	31.0	31.3	0.3	1.0%
Service-Providing Sectors	232.2	234.4	2.2	0.9%
Wholesale & Retail Trade	39.9	39.6	-0.3	-0.8%
Transportation & Utilities	12.1	13.1	1.0	8.3%
Information	2.8	2.6	-0.2	-7.1%
Financial Activities	9.8	10.0	0.2	2.0%
Professional & Business Services	39.3	38.9	-0.4	-1.0%
Education & Health Services	35.3	35.5	0.2	0.6%
Leisure & Hospitality	31.3	32.7	1.4	4.5%
Other Services	9.6	9.5	-0.1	-1.0%
Government	52.1	52.4	0.3	0.6%
	<b>(Percent)</b>	<b>(Percent)</b>		
<b>Unemployment Rate</b>	3.8%	3.5%		

Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics



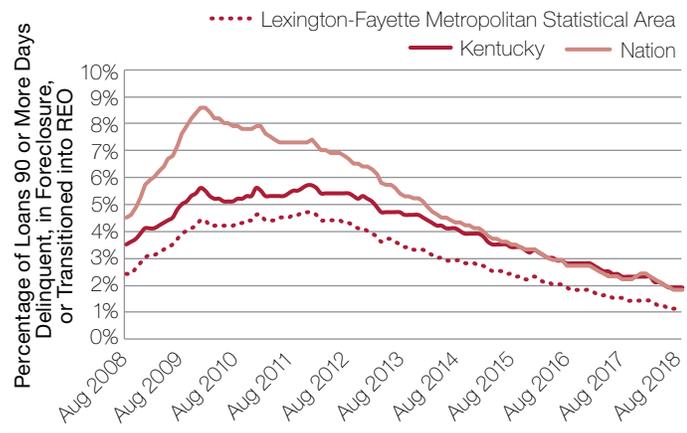
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largest vehicle manufacturing plant in the world, announced in 2017 that the company was investing \$1.3 billion in a new facility to begin producing vehicles using Toyota's New Global Architecture, a modular unibody automobile platform for various Toyota and Lexus vehicles, making it the first facility to have this capability in North America. The number of jobs to be created from this investment has not been announced. In Fayette County, sunroof and roof systems manufacturer Webasto Roof Systems is expanding its current facility and adding a new production line. The \$15 million expansion is expected to create an additional 180 new positions. Enerblu, Inc., a high-power technology company focused on new, innovative energy solutions for utility, military, transport, and commercial applications, announced it was moving its headquarters and research and development (R&D) facility to the metropolitan area. This \$5 million facility will add an additional

## Sales Market Conditions

The sales housing market in the Lexington metropolitan area is currently balanced, with an estimated vacancy rate of 1.6 percent, down from 2.8 percent in 2010. Local job gains and recovery after the local economic downturn contributed to the improved sales market. In September 2010, 4.6 percent of mortgages were seriously delinquent mortgages (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, compared with 5.2 and 7.9 percent for Kentucky and the nation, respectively (CoreLogic, Inc.). As of September 2018, the rate of seriously delinquent loans and REO properties in the metropolitan area declined to 1.1 percent, compared with rates of 1.9 and 1.8 percent for Kentucky and the nation, respectively. That rate is down from 1.4 percent in September 2017 and below a peak of 4.7 percent in November 2011. Distressed home sales (REO and

**The percentage of home loans that were seriously delinquent or had transitioned into REO status in the Lexington area continued to be below the national and state levels.**



REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by analyst

## Largest Employers in the Lexington Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Kentucky	Education & Health Services	12,800
Kentucky State Government	Government	11,210
Toyota Motor Manufacturing	Manufacturing	10,019

Note: Excludes local school districts.

Source: The Great Lexington Chamber of Commerce, Inc.

110 R&D and professional positions and is expected to open in 2019. The top employer in the metropolitan area, the University of Kentucky, which has approximately 12,800 full-time employees and a student enrollment of 29,500, is expected to open a new 300,000 square-foot biomedical research facility in the fall of 2018 and employ 500 scientists, private researchers, and university students.

short sales) accounted for more than 3 percent of existing home sales during the 12 months ending September 2018, down from a high of nearly 15 percent in 2013. The average sales price of an REO property was 45 percent below the average regular resale price at \$118,000 during the 12 months ending September 2018. REO sales prices were up from a low of \$78,000 in 2005 and above the \$100,700 average in 2013.

During the 12 months ending September 2018—

- The number of new homes (including single-family homes, townhomes, and condominiums) sold totaled 780, down 3 percent from the 810 homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst), and 24 percent below the 1,025 homes sold during the 12 months

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**New and existing home sales in the Lexington area have decreased in the past year.**



Note: Includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by analyst.



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**New and existing home prices in the Lexington area have increased the past year because of improving economic conditions.**



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by analyst

ending February 2006, the peak before the local economic downturn.

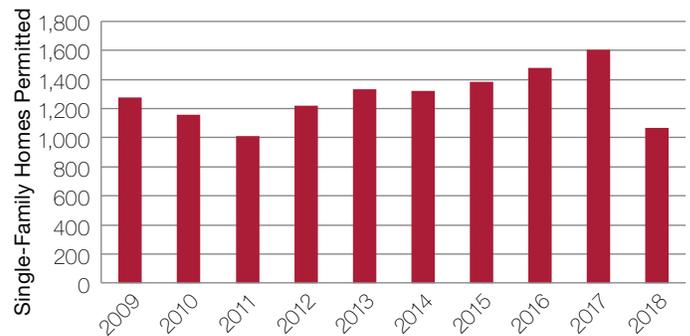
- The average sales price for new homes sold in the Lexington metropolitan area was \$276,800, up 5 percent from a year earlier and 28 percent above the pre-recession peak of \$215,800 during the 12 months ending September 2008. The average sales price of new homes continues to rise as new homes sales have decreased slightly due to a limited supply of housing; this is in part due to the urban service boundary, where new development only occurs in an urban service area to help control urban sprawl in Fayette County.
- Existing home sales totaled 10,000, down approximately 7 percent from the 10,700 sold during the 12 months ending September 2017, with REO sales accounting for 2 and 3 percent, respectively. Existing home sales peaked in 2007 when 6,775 homes were sold, and declined each subsequent year through the economic recession to a low of 5,775 during the 12 months ending July 2011, when REOs were 11 percent of existing sales. Existing home sales increased from 6,050 homes in 2012 to 10,550 homes in 2017, an increase of nearly 10 percent annually.

- The average sales price for existing homes was \$207,500, an increase of 6 percent compared with the average price during the 12 months ending September 2017 and 34 percent below the pre-recession peak price of \$314,400 in 2006.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has been moderately stable from 2012 to 2017.

- The number of single-family homes permitted totaled 1,400 during the 12 months ending September 2018, down 11 percent from the 1,575 homes permitted during the previous 12 months (preliminary data).
- Single-family home construction from 2012 through 2017 averaged 1,400 homes annually, far less than the average of 2,250 permitted annually from 2005 through 2010.
- Villas at Cherry Blossom is a single-family subdivision in Scott County, where home construction is in the third of five phases planned, with homes on 28 of the 30 lots complete. When finished, the subdivision will have 165 homes and should be completed by 2020. Home prices range from \$215,000 for a three-bedroom, 1,435-square-foot house to \$270,000 for a four-bedroom, 2,385-square-foot house.

**With the exception of a slight decline in 2014, the number of single-family homes permitted annually in the Lexington area increased from 2011 through 2017.**



Note: Includes preliminary data from January 2018 through September 2018. Source: U.S. Census Bureau, Building Permits Survey

## Rental Market Conditions

The rental housing market in the Lexington metropolitan area is currently balanced, with an estimated 6.4-percent vacancy rate for all rental units (including single-family homes, townhomes, manufactured homes, and apartments) as of September 1, 2018, down from 9.9 percent in April 2010, when market conditions were soft. Most of the renter household growth has been concentrated in the apartment communities, with the portion of single-family homes decreasing since 2010. In 2016, approximately 56 percent

of rental units in the metropolitan area were single-family homes or buildings with four or fewer units, whereas 41 percent of rental units were in large buildings with five or more units, and the remainder were mobile homes (2016 ACS 1-year data). By comparison, in 2010, approximately 58 percent of rental units were in single-family homes or in buildings with four or fewer units whereas 40 percent were in large buildings with five or more units, and the remainder were mobile homes (2010 ACS

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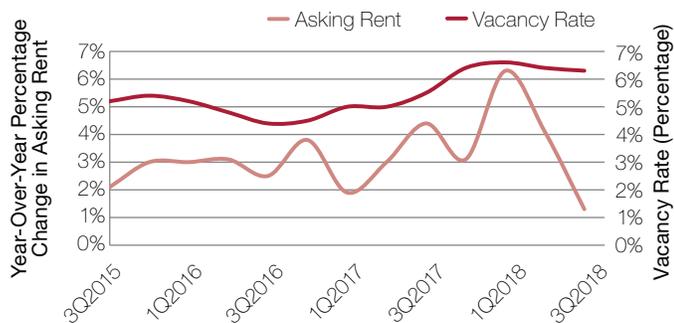
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1-year data). Of the approximately 29,500 students enrolled at the University of Kentucky, about 22,400 live off campus, accounting for approximately 8 percent of rental households in the metropolitan area.

During the third quarter of 2018—

- The apartment vacancy rate was 6.3 percent, up from 5.5 percent during the third quarter of 2017 (Reis, Inc.), as supply exceeded demand.
- The average apartment rent increased more than 1 percent, to \$776, from the third quarter of 2017, after increases averaging 2 percent annually from the third quarter of 2010 through the third quarter of 2016.
- With concentrated apartment construction in the Reis, Inc.-defined West Fayette County market area, the vacancy rate increased slightly to 7.6 percent during the third quarter of 2018 from 7.4 percent a year earlier. During the past year, 495 new units were added to the West Fayette County market (Reis, Inc.).
- The average monthly apartment rents in the metropolitan area by number of bedrooms were \$603, \$674, \$755, and \$1,073 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively.

**A surge in apartment completions in the Lexington area during the past three quarters led to slightly lower vacancies and slower rent growth.**

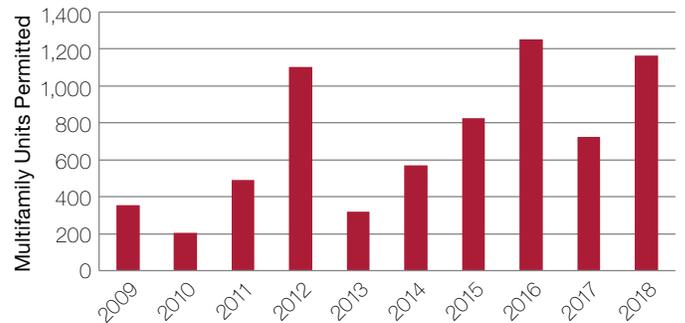


Q3 = third quarter.  
Source: Reis, Inc.

Multifamily construction activity in the metropolitan area, as measured by the number of units permitted, slowed in 2017, following a period of growth from 2014 through 2016.

- During the 12 months ending September 2018, 1,350 units were permitted, up from the 765 units permitted during the 12 months ending September 2017 (preliminary data).
- An average of 920 units was permitted from 2012 through 2016, up from the pre-recession annual high of 710 units annually from 2002 through 2006.
- Multifamily construction, as measured by the number of multifamily units permitted, fell from an average of 820 units annually from 2002 through 2008 to an average low of 200 units from 2009 through 2011, as a result of weak economic conditions in the metropolitan area. In 2009, the unemployment spiked to 8.4 percent from 5.1 percent in 2008, which contributed to lower demand for rental units and a decline in the number of multifamily units permitted.
- The Hub Lexington is 429 units of off-campus student housing development that will cater exclusively to students and is expected to open in the fall of 2019. One-, two-, three-, and four-bedroom units will be available near the University of Kentucky with rents ranging from \$725 to \$1090.

**Multifamily permitting in the Lexington area has fluctuated since a low in 2010.**



Note: Includes preliminary data from January 2018 through September 2018.  
Source: U.S. Census Bureau, Building Permits Survey

