

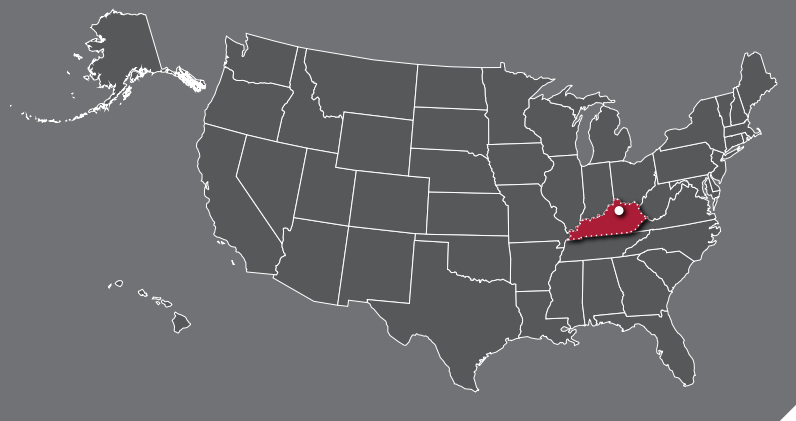
HUD PD&R Housing Market Profiles

Lexington-Fayette, Kentucky



Quick Facts About Lexington

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- The city of Lexington is a leading center for horse breeding and racing, partly due to the International Museum of the Horse, the second oldest horse racetrack in the country, and to Keeneland, a premier international horse racecourse and the largest thoroughbred auction house in the world (VisitLEX).



Lexington, Kentucky

By [Maciej Misztal](#) | As of September 1, 2024

Overview

The Lexington-Fayette, KY Metropolitan Statistical Area (hereafter, Lexington metropolitan area) is in the Bluegrass region of north-central Kentucky and includes Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford Counties. The city of Lexington, which shares a consolidated government with Fayette County, is near the geographic center of the metropolitan area and home to the University of Kentucky (UK). The city accounts for approximately 65 percent of the population of the metropolitan area. UK is the largest university in the state, with an enrollment of approximately 33,900 students during the fall of 2023. Including Albert B. Chandler Hospital, UK employs 25,550 workers, making it the largest employer in the metropolitan area. Scott County contains the Toyota Motor Manufacturing, Kentucky plant, the largest Toyota facility in the nation, with 9,700 workers. Lexmark International, Inc., a manufacturer of printers and other imaging products that employs approximately 1,300 workers and generated \$3.7 billion in revenue during 2023, is also headquartered in the metropolitan area.

- As of September 1, 2024, the population of the metropolitan area is estimated at 524,300, representing an average increase of 1,700, or 0.3 percent, annually since 2020.

continued on page 2



continued from page 1

Net natural increase, which averaged approximately 910 people each year, accounted for nearly 54 percent of the population growth; net in-migration of 790 people annually accounted for the remaining 46 percent.

- By comparison, the metropolitan area population increased by an average of 3,175, or 0.6 percent, annually from 2016 to 2020 (U.S. Census Bureau decennial census count and population estimates as of July 1, with estimates by the analyst). During that period, 59 percent of the population

growth was from net natural increase, which averaged approximately 1,875 people each year; 41 percent was from net in-migration, which averaged 1,300 people annually.

- Partly because of the presence of UK, the population in the metropolitan area is more highly educated than in the nation overall; in 2023, 45 percent of residents aged 25 or older in the metropolitan area had at least a bachelor's degree compared with 36 percent nationally (American Community Survey 1-year data).

Economic Conditions

Nonfarm payroll growth has been relatively strong in the Lexington metropolitan area but moderated in the past year as the economy transitioned from recovery following the recession in early 2020 to expansion. As of the 3 months ending August 2024, nonfarm payrolls averaged 301,700 jobs, up by 6,400 jobs, or 2.2 percent, annually compared with 3.4-percent growth a year earlier. Eight of the 11 nonfarm payroll sectors added jobs as of the 3 months ending August 2024 compared with a year ago. Nonfarm payrolls are 8.3 percent higher than levels as of the 3 months ending August 2019, before the COVID-19-related economic downturn. For context, national nonfarm payrolls increased 1.5 percent year over year as of the 3 months ending August 2024 compared with 2.2-percent growth during the same period a year earlier, and payrolls nationally are currently 5.1 percent higher than levels in 2019.

As of the 3 months ending August 2024—

- The mining, logging, and construction sector had the fastest rate of job growth in the metropolitan area, adding 1,100 jobs, or 7.2 percent, from a year earlier. In addition to ongoing residential and commercial construction developments, a 200-acre manufacturing expansion at the Coldstream Research Campus is underway, supporting jobs in the construction subsector.
- The largest job gain compared with a year earlier was in the education and health services sector, which added 2,400 jobs, or 6.3 percent, and constituted 38 percent of net job growth. The metropolitan area is a hub for healthcare services, partly because of the presence of the research hospital at UK.

continued on page 3

As of the 3 months ending August 2024, jobs in the Lexington metropolitan area rose in 8 of the 11 nonfarm payroll sectors compared with a year earlier.

	3 Months Ending		Year-Over-Year Change	
	August 2023 (Thousands)	August 2024 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	295.3	301.7	6.4	2.2
Goods-Producing Sectors	46.9	48.1	1.2	2.6
Mining, Logging, & Construction	15.2	16.3	1.1	7.2
Manufacturing	31.7	31.8	0.1	0.3
Service-Providing Sectors	248.4	253.6	5.2	2.1
Wholesale & Retail Trade	39.4	39.4	0.0	0.0
Transportation & Utilities	12.2	12.3	0.1	0.8
Information	3.2	3.1	-0.1	-3.1
Financial Activities	11.7	11.6	-0.1	-0.9
Professional & Business Services	40.7	40.9	0.2	0.5
Education & Health Services	37.9	40.3	2.4	6.3
Leisure & Hospitality	33.0	34.1	1.1	3.3
Other Services	14.4	14.9	0.5	3.5
Government	55.9	57.2	1.3	2.3
Unemployment Rate	3.8%	4.3%		

Note: Numbers may not add to totals due to rounding.

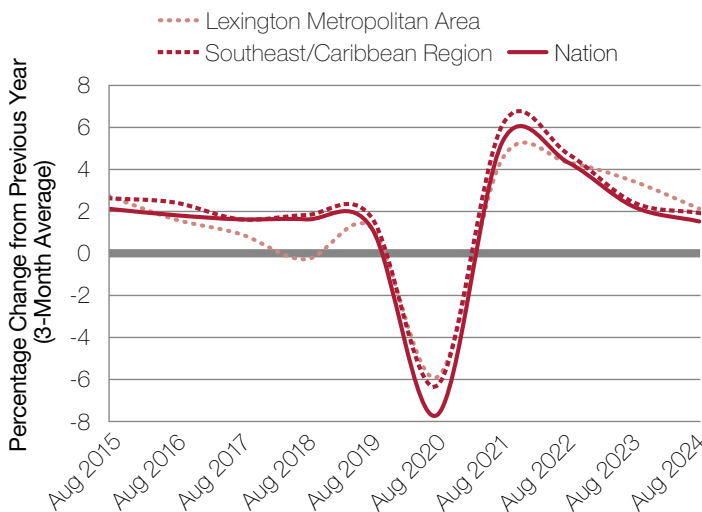
Source: U.S. Bureau of Labor Statistics



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- Job losses occurred in the information and the financial activities sectors, which lost 100 jobs each, or 3.1 and 0.9 percent, respectively. The wholesale and retail trade sector was the only other sector that did not add jobs, with payrolls flat compared with the 3 months ending August 2023.
- The unemployment rate averaged 4.3 percent, up from 3.8 percent a year earlier, the highest rate since early 2021,

The rate of job growth in the Lexington metropolitan area was higher than the rates in the Southeast/Caribbean region and the nation in the past year.



Source: U.S. Bureau of Labor Statistics

because labor force growth outpaced the growth in resident employment. The national rate was similar at 4.2 percent, up from 3.8 percent a year earlier.

The government sector is the largest job sector in the metropolitan area, accounting for nearly 19 percent of nonfarm payrolls. Sector payrolls increased by 1,300 jobs, or 2.3 percent, from a year earlier. Most of this growth was in the state government subsector, which includes UK. Construction is underway on the largest academic building ever built at UK, which will house expanding programs in the colleges of nursing, medicine, and public health. Medical research has been a key factor in job growth. Research and development expenditures at UK totaled \$504 million in 2023, an increase of more than 2 percent from the previous year. This research supported 4,900 jobs and contributed an estimated \$925 million economic impact to the state during 2023 (University of Kentucky).

Largest Employers in the Lexington Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Kentucky	Government	25,550
Toyota Motor Manufacturing, Kentucky	Manufacturing	9,700
Amazon.com, Inc.	Wholesale & Retail Trade	5,025

Notes: Excludes local school districts. University of Kentucky includes Albert B. Chandler Hospital.

Sources: Commerce Lexington Inc.; Kentucky Cabinet for Economic Development

Sales Market Conditions

Sales housing market conditions are currently slightly tight in the Lexington metropolitan area, easing from tighter conditions in 2021 and 2022. The estimated sales vacancy rate is 1.3 percent, down from 1.5 percent as of April 1, 2020, when conditions were also slightly tight. Home sales in the metropolitan area declined for the second consecutive year, partly because of a low supply of existing homes available for sale. Although the inventory of homes available for sale grew during the past year, it was generally low, with 1,725 homes listed for sale in July 2024, more than the 1,575 homes listed in July 2023 but notably fewer than the 2,650 homes listed in July 2019 (Redfin, a national real estate broker). Total home sales have decreased at a fast pace, partly because of the increase in mortgage interest rates during the past 2 years, and home sales price growth has slowed following strong price increases during the pandemic. During the 12 months ending July 2024, the average home price increased 6 percent to \$326,500 (CoreLogic, Inc., with adjustments by the analyst). By comparison, year-over-year home price growth was

9 percent a year ago. Total home sales decreased 5 percent to 8,350 homes during the 12 months ending July 2024 after decreasing 36 percent a year earlier.

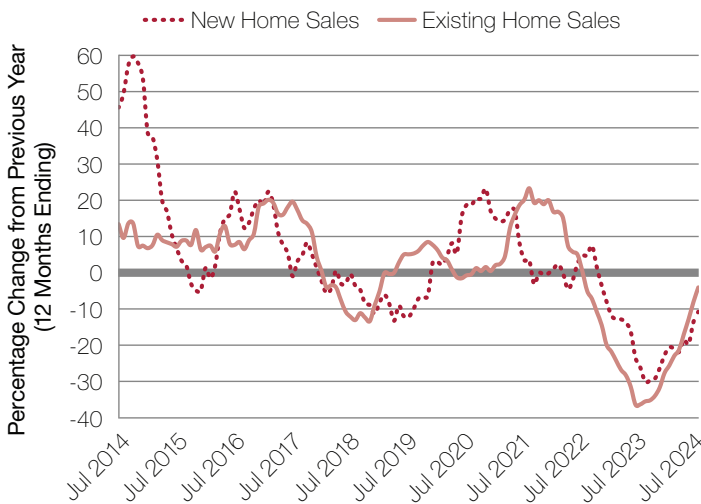
- During the 12 months ending July 2024, 7,750 existing homes sold, down 4 percent from the same period a year earlier compared with the 36-percent decline during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The average price of an existing home was approximately \$315,700, reflecting 7-percent growth during each of the past 2 years.
- Approximately 600 new homes sold during the 12 months ending July 2024, down 11 percent from the same period a year earlier, moderating from the 26-percent annual decline during the 12 months ending July 2023. The average price of a new home increased 2 percent to \$467,000 compared with a year earlier, considerably slower than the 26-percent increase in the average new home price during the 12 months ending July 2023.

continued on page 4

continued from page 3

- The percentage of seriously delinquent mortgages and real estate owned properties in the metropolitan area was 0.7 percent in July 2024, down from 0.8 percent in July 2023 and 1.0 percent in July 2022 (CoreLogic, Inc.). Throughout the past 10 years, the rate in the metropolitan area has been below the rates in the HUD Southeast/Caribbean region and the nation, which were 1.0 percent and 0.9 percent, respectively, in July 2024.

New and existing home sales in the Lexington metropolitan area declined during the 12 months ending July 2024.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

During the past year, new home sales price growth slowed dramatically, and existing home price growth accelerated slightly in the Lexington metropolitan area.



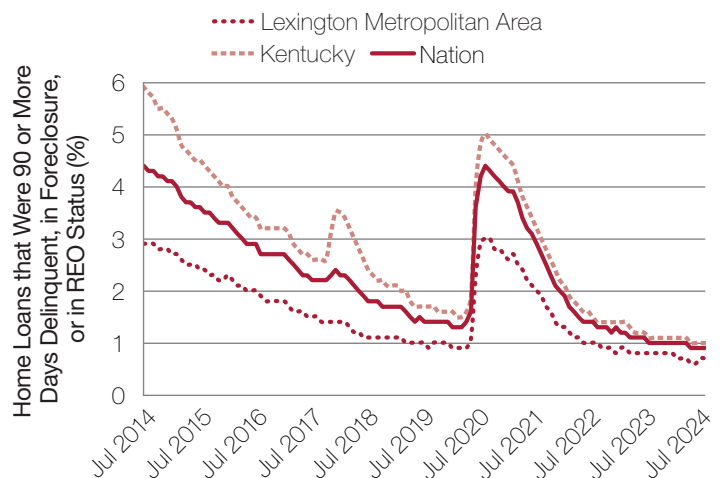
Note: Prices are for single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Single-family homebuilding activity in the metropolitan area increased during the 12 months ending August 2024 compared with the previous 12-month period, but the level is lower than the recent high during 2021, when interest rates were low and the market was tighter.

- The number of single-family homes permitted during the 12 months ending August 2024 totaled 1,500, a 10-percent

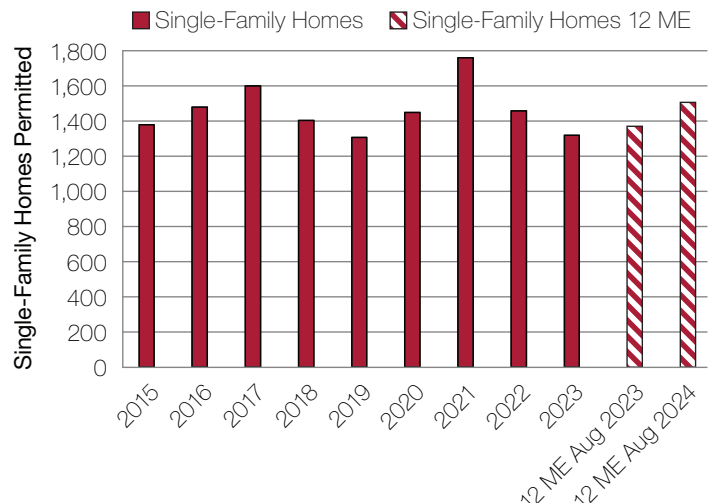
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The rates of seriously delinquent home loans and REO properties in the Lexington metropolitan area have been consistently below the Kentucky and the national rates since the mid-2010s.



REO = real estate owned.
Source: CoreLogic, Inc.

The number of single-family homes permitted in the Lexington metropolitan area reached a high in 2021, when mortgage interest rates were historically low.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

continued from page 4

increase from the previous 12-month period (preliminary data, with adjustments by the analyst).

- The number of single-family homes permitted from 2021 through 2023 averaged 1,525 annually, increasing from 1,450 annually from 2016 through 2020.
- Fayette and Scott Counties, the two most populous counties in the metropolitan area, accounted for 44 and 26 percent

of home construction in the metropolitan area, respectively, during the 12 months ending July 2024. Sanders Garden is a 1,500-home, master-planned community in north Lexington. It is one of the largest developments in the metropolitan area and includes access to job centers in Scott County. The homes range in size from three to five bedrooms, with starting prices ranging from \$372,000 to \$511,000.

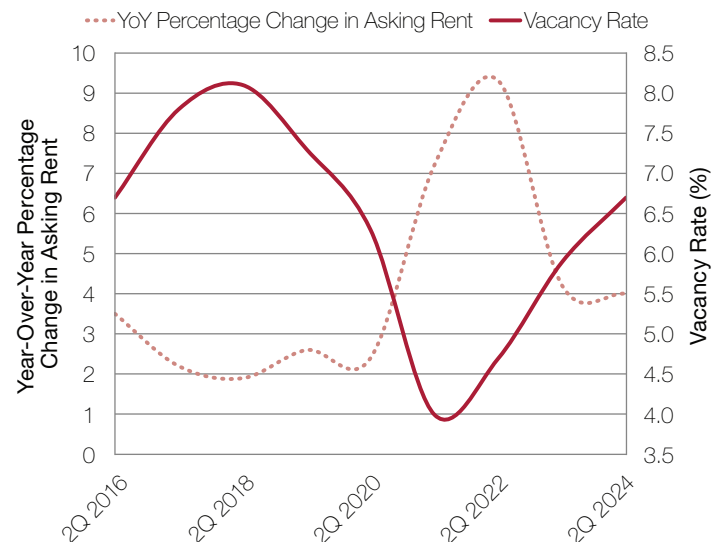
Apartment Market Conditions

Apartment market conditions in the Lexington metropolitan area are slightly tight, easing from the tight conditions of 2021 and 2022, partly because of increased multifamily construction activity. As of the second quarter of 2024, the apartment vacancy rate was 6.7 percent, up from 5.9 percent a year earlier, and the average rent increased 4 percent to \$1,141 (CoStar Group). By comparison, during the second quarter of 2021, the apartment vacancy rate was 4.0 percent, and the average rent rose more than 7 percent from a year earlier. During the past 3 years, 2,550 new apartment units were completed in the metropolitan area, outpacing the absorption of 860 units during the same period and causing the vacancy rate to rise.

As of the second quarter of 2024 —

- The vacancy rate increased in all six of the CoStar Group-defined market areas in the metropolitan area that contain at least 2,500 units—which account for a combined 74 percent of all surveyed apartments in the Lexington metropolitan area. In five of the six market areas, market conditions eased, and rent growth slowed compared with a year earlier.
- Average rents in the Southeast Fayette County market area were the highest in the metropolitan area. It was the only market area in which rent growth accelerated, increasing 7 percent year over year to \$1,311, up from a 3-percent increase the previous year, despite a vacancy rate increase from 4.4 to 5.3 percent. The market area has newer units on average, and demand in the market area is relatively strong.
- The Scott County market area had the lowest vacancy rate at 2.3 percent, with rents averaging \$1,244. Average rents increased 5 percent year over year, but rent growth slowed slightly from a 6-percent increase the previous year. The vacancy rate is low, partly because of a lack of significant additions to apartment supply while jobs and population have expanded in the market area.
- In the West Lexington market area, rents averaged \$950, the lowest of the six market areas, and the 8.3-percent

During the past year, the apartment vacancy rate increased, and rent growth was moderate in the Lexington metropolitan area.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

vacancy rate was the highest among market areas in the metropolitan area. The market area, which is popular among students because of the relatively older and affordable inventory of rental housing near UK, also had the slowest rent growth at 2 percent year over year, down from a 6-percent increase a year earlier.

Multifamily construction in the metropolitan area, as measured by the number of multifamily units permitted and estimates by the analyst, fell slightly during the most recent 12-month period, when builders responded to slowing absorption amid the large number of new units that recently entered the market.

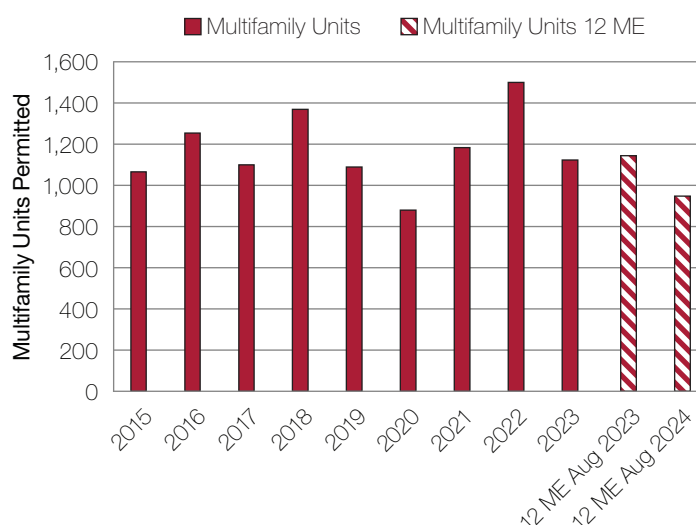
- During the 12 months ending August 2024, an estimated 950 multifamily units were permitted, down 17 percent from 1,150 units permitted during the 12 months ending August 2023 (preliminary data, with adjustments by the analyst).

continued on page 6

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- Multifamily permitting averaged 1,125 units annually from 2015 through 2020 and rose to approximately 1,275 units from 2021 through 2023 during the period of tight market conditions.
- Construction activity in the metropolitan area during the past 5 years has mostly occurred in Fayette County, with a few developments in Jessamine and Scott Counties. The 257-unit Gateway Lofts Lexington apartment community in the relatively affordable CoStar Group-defined West Lexington market area is the most recently completed development. Rents for one-, two-, and three-bedroom units in this community start at \$1,250, \$1,350, and \$2,275, respectively.
- The Avery is anticipated to be complete in late 2024 in the relatively expensive Southeast Fayette County market area. It will be the largest multifamily development built since 2020, with 413 units. Rents for studio and one- and two-bedroom units in this community are expected to start at \$1,475, \$1,800, and \$2,350, respectively.

Multifamily construction activity in the Lexington metropolitan area has declined from the recent high in 2022.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized	A property is stabilized once the occupancy rate reaches 90 percent or at least 18 months have passed since the property was changed from “under construction” to “existing” on the CoStar Group website.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	The HUD Southeast/Caribbean region includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands.