Lexington-Fayette, Kentucky

Located in central Kentucky, the Lexington-Fayette metropolitan area consists of six counties with a total population estimated at 477,200 as of July 1, 2010. Population growth has been steady at about 1.7 percent each year since 2004, with 60 percent of the average annual growth during this time attributed to net in-migration. The University of Kentucky is the leading employer in the area, with nearly 12,000 employees and 27,000 students; its annual budget is $2.2 billion. Other leading employers in the area are Toyota Motor Manufacturing Kentucky, Inc., with about 7,000 employees, and Lexmark International, Inc., with about 3,100 employees.

During the 12 months ending June 2010, average nonfarm employment declined by 3,700 jobs, or 1.5 percent, to 245,700 jobs. The largest declines occurred in the manufacturing and mining, logging, and construction sectors, which lost 2,800 jobs, or 8.3 percent, and 1,200 jobs, or 10.2 percent, respectively. Partly offsetting these losses, the professional and business services sector expanded by 1,700 jobs, or 5.9 percent; the government sector expanded by 600 jobs, or 1.2 percent; and the education and health services sector expanded by 300 jobs, or about 1 percent. The education and health services sector represents about 12 percent of total nonfarm employment in the area and is expected to grow over the next 6 years with $960 million worth of hospital construction projects underway.

During the 12 months ending June 2010, the unemployment rate increased to an average of 8.4 percent compared with an average of 7.0 percent during the previous 12 months.

The sales housing market in the metropolitan area is balanced, with an estimated vacancy rate of 1.8 percent as of July 1, 2010. Home sales have increased in response to low interest rates and the First Time Home Buyer’s Tax Credit. The Lexington-Bluegrass Association of REALTORS® reported 7,650 single-family homes were sold during the 12 months ending June 2010, up 16 percent from the number sold during the 12 months ending June 2009. The level of home sales during the past 12 months was 4 percent less than the annual average level of home sales from 2005 to 2009. The average sales price of a single-family home during the 12 months ending June 2010 was $167,500, 1 percent less than the price during the 12 months ending June 2009, and 6 percent below the price level during the 12 months ending June 2006 when sales peaked at 10,000 homes. There were 650 condominiums and townhomes sold during the 12 months ending June 2010, about 14 percent more than the 12 months ending June 2009. The average selling price for a condominium and townhome was $137,000 during the 12 months ending June 2010, about 1 percent less than the 12 months ending June 2009. For the 12 months ending June 2010, about 8 percent of units sold were condominiums and townhomes, unchanged from the previous 12 months. The inventory of unsold homes, condominiums, and townhomes has decreased about 1 percent, to an average of 6,250 homes, or a 10-month supply, during the 12 months ending June 2010, compared with the previous 12 months. The area has not been significantly affected by foreclosures.

Homebuilding activity in the area has increased as a response to increased home sales activity. Based on preliminary data, about 1,350 building permits were issued for single-family homes during the 12 months ending May 2010, up 11 percent from the previous 12-month period. Single-family construction activity peaked during 2005 when 4,300 single-family homes were permitted. An average of 2,450 single-family homes was permitted each year from 2005 to 2009. New housing developments include the 705-lot Chilesburg in Lexington in Fayette County and McClelland Springs in Georgetown in Scott County. Starting prices for these new homes are $155,950 and $176,950, respectively.

Rental housing market conditions have softened recently due to the increased affordability of homes for sale since 2007 and an increase in the supply of apartments coming online in the past couple of years. According to Reis, Inc., the apartment vacancy rate in Lexington for the second quarter of 2010 was 9 percent, an increase from 8.2 percent in the second quarter of 2009. Despite the increase in vacancy, average rent increased about 1 percent to $646 for the second quarter of 2010 compared with the average rent during the second quarter of 2009. Approximately 22,000 of the University of Kentucky students reside off campus and have a significant impact on the local rental market. In the housing submarkets surrounding the university, vacancy rates are slightly less than the overall market rents, averaging about 6 percent below the average for the total market area. Based on the number of multifamily units permitted, multifamily building activity...
in the metropolitan area, consisting primarily of apartment units, has decreased during the past 12 months as builders have curtailed construction in response to the softer market conditions. Approximately 200 multifamily units were permitted during the 12 months ending May 2010, about 80 percent fewer than were permitted during the previous 12 months. In 2008, about 1,425 multifamily units were permitted compared with about 450 units permitted each year from 2001 to 2007. New apartment development includes the 360-unit Forty 57 at Glasford, which is located in southern Lexington and has one-, two-, and three-bedroom units renting for $737, $854, and $997, respectively.