

COMPREHENSIVE HOUSING MARKET ANALYSIS

# Lexington-Fayette, Kentucky

**U.S. Department of Housing and Urban Development,**  
Office of Policy Development and Research

As of June 1, 2024



PD&R

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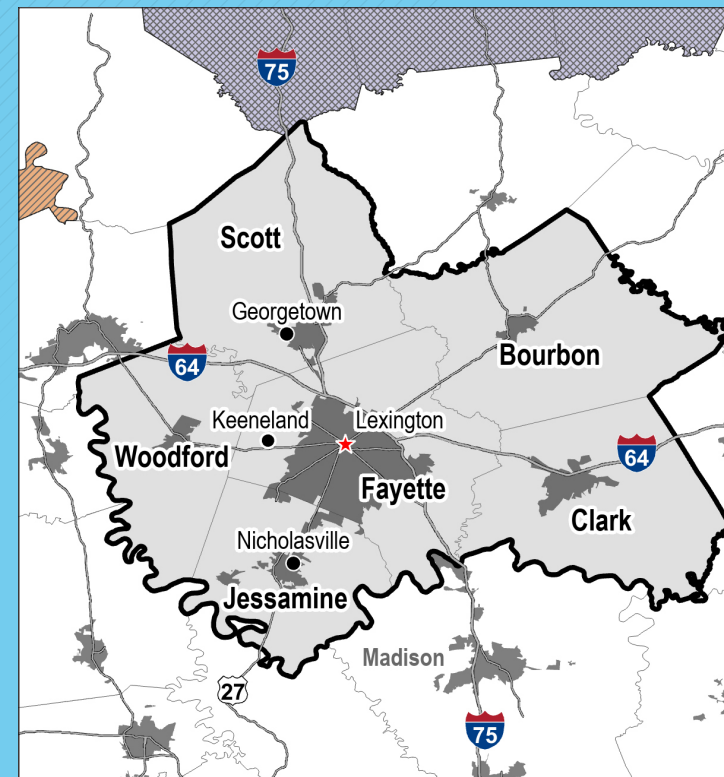
# Executive Summary

## Housing Market Area Description

The Lexington-Fayette, Kentucky Housing Market Area (hereafter, Lexington HMA) is coterminous with the Metropolitan Statistical Area (MSA) of the same name 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 HMA and includes approximately 65 percent of its population. The HMA is in the Bluegrass region of north-central Kentucky and is notable for the preponderance of horse farms.

The current population of the HMA is estimated at 522,800.

The city of Lexington is a leading center for horse breeding and racing, partly due to the Kentucky Horse Park—which includes the International Museum of the Horse and the Red Mile Gaming & Racing harness track, the second oldest horse racetrack in the country—and Keeneland, a premier international horse racecourse and the largest thoroughbred auction house in the world (Visit LEX). The equine industry in the state of Kentucky generates an economic impact estimated at \$6.5 billion annually (Kentucky Thoroughbred Association).



## Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).





Market Qualifiers

Economy



**Strong:** During the 12 months ending May 2024, nonfarm payrolls averaged 297,100, representing a year-over-year increase of 6,600 jobs, or 2.3 percent.

The number of jobs increased or remained unchanged compared with a year earlier in all nonfarm payroll sectors during the past 12 months, and all sectors except the wholesale and retail trade sector have surpassed pre-COVID-19 pandemic payroll levels. The largest increase during the past 12 months occurred in the government sector, which added 2,200 jobs, or 4.0 percent. The unemployment rate averaged 3.6 percent during the 12 months ending May 2024 compared with 3.8 percent nationally, up from 3.3 percent the previous year, partly because the labor force increased faster than resident employment. During the 3-year forecast period, nonfarm payroll growth is expected to moderate to an average of 1.3 percent annually.

Sales Market



**Slightly Tight:** The Lexington HMA had a 2.2-month supply of homes for sale in May 2024, up slightly from 1.8 months a year ago (Redfin, a national real estate brokerage, with adjustments by the analyst).

The home sales vacancy rate is currently estimated at 1.3 percent, slightly below the 1.5-percent rate in April 2020 and below 2.8 percent in April 2010, when sales market conditions were soft. During the 12 months ending May 2024, home sales totaled 8,375, down 13 percent from a year ago and following a 30-percent decrease a year earlier (CoreLogic, Inc., with adjustments by the analyst). The average home sales price increased 5 percent to \$319,800 compared with an 11-percent increase a year earlier. New home sales made up approximately 7 percent of total home sales during the past 12 months. During the next 3 years, demand is estimated for 4,900 new homes. The 550 homes under construction will satisfy a portion of the demand in the first year of the forecast period.

Rental Market



**Slightly Tight:** The overall rental market has an estimated vacancy rate of 7.9 percent, down from 8.1 percent in April 2020 and 9.9 percent in April 2010, when the market was soft.

The apartment market is also slightly tight, with an average apartment vacancy rate of 6.7 percent as of the second quarter of 2024, up from 5.9 percent a year ago and 4.7 percent as of the second quarter of 2022 (CoStar Group). During the past 24 months, demand for rental units weakened and additions to the supply increased, which caused the previously tight market to transition to slightly tight conditions. The average apartment rent has increased an average of 4 percent during each of the past 2 years to \$1,141 as of the second quarter of 2024. Demand is estimated for 2,675 new rental units, and the 1,700 units under construction are expected to satisfy most of the demand during the first 2 years of the forecast period. Apartment construction is expected to be concentrated in the city of Lexington.

TABLE OF CONTENTS

Economic Conditions 4

Population and Households 9

Home Sales Market 13

Rental Market 17

Terminology Definitions and Notes 21

3-Year Housing Demand Forecast			
Lexington HMA		Sales Units	Rental Units
	Total Demand	4,900	2,675
	Under Construction	550	1,700

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2024. The forecast period is June 1, 2024, to June 1, 2027.  
Source: Estimates by the analyst



# Economic Conditions

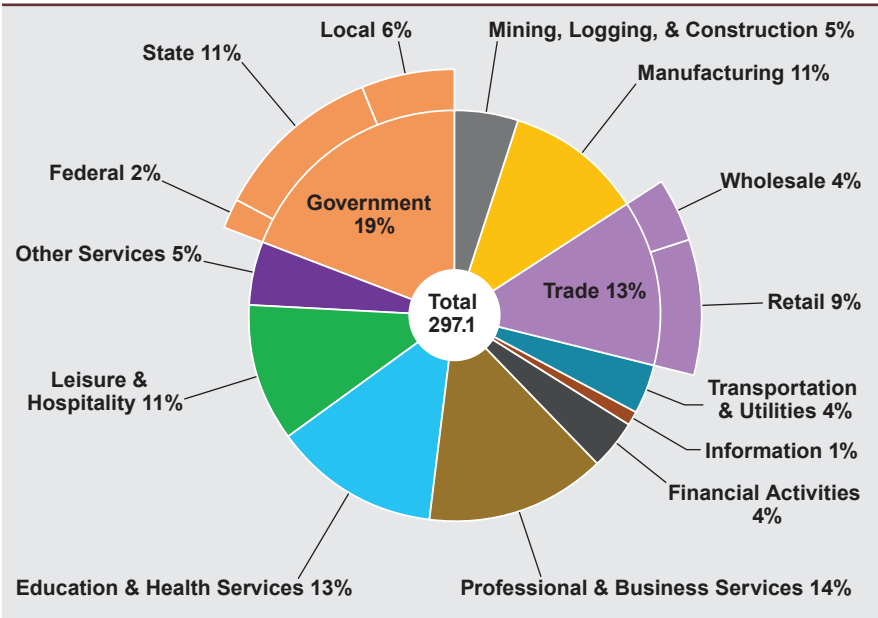
## Largest Sector: Government

During the 12 months ending May 2024, 8 of 11 nonfarm payroll sectors gained jobs compared with a year ago, and the remaining sectors remained stable.

## Primary Local Economic Factors

The state government subsector makes up 11 percent of nonfarm payrolls in the Lexington HMA and includes the University of Kentucky (UK), the largest university in the state, with an enrollment of approximately 33,900 students during fall 2023 (Figure 1). Along with the Albert B. Chandler Hospital, UK employs 25,550 workers, making it the largest employer in the HMA (Table 1).

Figure 1. Share of Nonfarm Payroll Jobs in the Lexington HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2024. Source: U.S. Bureau of Labor Statistics

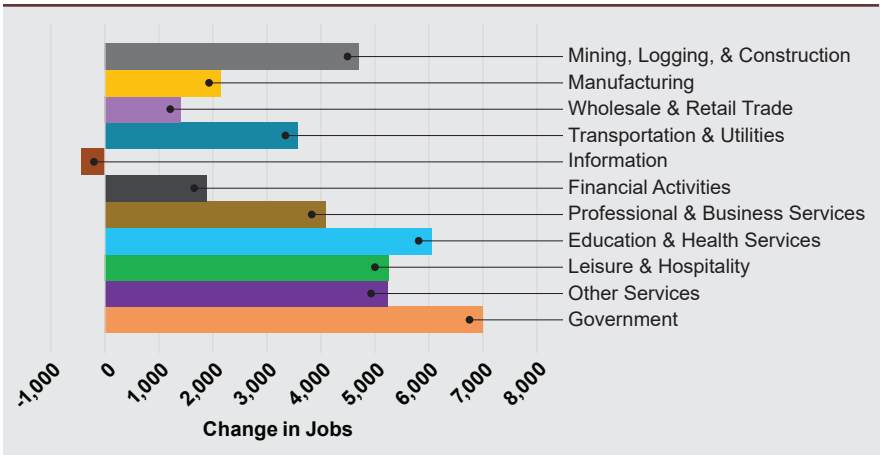
The hospital supports medical research and jobs in the healthcare industry, and the education and health services sector, which includes two of the seven largest employers in the HMA, added the second largest number of jobs since 2014 after the government sector (Figure 2). Medical research has been a key factor in the job growth. Research and development expenditures

Table 1. Major Employers in the Lexington HMA

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
Baptist Health	Education & Health Services	3,200
Lexington-Fayette Urban County Government	Government	2,775
Conduent, Inc.	Professional & Business Services	2,250
CHI Saint Joseph Health	Education & Health Services	2,025
Lexington VA Health Care System	Government	2,000
Lexmark International, Inc.	Manufacturing	1,300
Lockheed Martin Corporation	Manufacturing	1,275

Notes: Excludes local school districts. The University of Kentucky includes Albert B. Chandler Hospital. Sources: Commerce Lexington Inc.; Kentucky Cabinet for Economic Development

Figure 2. Sector Growth in the Lexington HMA, 2014 to Current



Note: Current data are based on the 12-month averages ending May 2024. Source: U.S. Bureau of Labor Statistics



at UK totaled \$504 million in 2023, an increase of more than 2 percent from the previous year. This research funded 4,900 jobs and created an additional \$925 million economic impact in the state during 2023, including private research and development in other area hospitals (University of Kentucky). Among other benefits, the university and the presence of cutting-edge medical treatments support other jobs, such as prosthetics manufacturing, and the availability of high-quality healthcare makes the HMA attractive to retirees, including UK alums.

The manufacturing sector, which accounts for 11 percent of nonfarm payrolls, is another important presence in the economy. The sector is diversified and includes the previously mentioned medical prosthetics and devices. Most manufacturing employment is in northern Fayette and Scott Counties, partly because of the presence of the Toyota Motor Manufacturing, Kentucky (TMMK) plant—the largest employer in the HMA in the manufacturing sector—and nearby suppliers. Primarily in the city of Georgetown, TMMK is the largest Toyota facility in the country and employs 9,700 workers. Headquartered in the city of Lexington, Lexmark International, Inc., a manufacturer of printers and other imaging products, employs approximately 1,300 workers and generated \$3.7 billion in revenue during 2023. Lockheed Martin Corporation, also in Lexington, is the 10th largest employer in the HMA; it focuses on aerospace and defense systems.

### Current Conditions—Nonfarm Payrolls

Anchored by UK, the HMA economy is diversified, contributing to strong job growth, which has moderated. During the 12 months ending May 2024, nonfarm payrolls increased by 6,600 jobs, or 2.3 percent, to 297,100 jobs compared with an increase of 12,000 jobs, or 4.3 percent, during the previous 12 months (Table 2). Job gains in the HMA outpaced national job growth, which was 1.9 percent during the 12 months ending May 2024 and 3.3 percent a year earlier. The mining, logging, and construction sector was the fastest growing sector in the HMA during the past 12 months, adding 700 jobs, or 4.9 percent, primarily in the construction subsector. Although the number of manufacturing jobs was unchanged during the past 12 months, the manufacturing sector supported construction job growth. A 200-acre expansion of the UK Coldstream Research Campus is expected to create areas for research, development, and manufacturing. During the past 12 months, the greatest number of jobs were added in the government, the professional and business services, and the education and health services sectors, with year-over-year increases of 2,200, 1,000, and 1,000 jobs, or 4.0, 2.5, and 2.6 percent, respectively.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Lexington HMA, by Sector

	12 Months Ending May 2023	12 Months Ending May 2024	Absolute Change	Percentage Change
<b>Total Nonfarm Payroll Jobs</b>	<b>290.5</b>	<b>297.1</b>	<b>6.6</b>	<b>2.3</b>
<b>Goods-Producing Sectors</b>	<b>46.0</b>	<b>46.8</b>	<b>0.8</b>	<b>1.7</b>
Mining, Logging, & Construction	14.4	15.1	0.7	4.9
Manufacturing	31.6	31.6	0.0	0.0
<b>Service-Providing Sectors</b>	<b>244.5</b>	<b>250.4</b>	<b>5.9</b>	<b>2.4</b>
Wholesale & Retail Trade	39.1	39.1	0.0	0.0
Transportation & Utilities	12.5	12.6	0.1	0.8
Information	3.2	3.2	0.0	0.0
Financial Activities	11.4	11.6	0.2	1.8
Professional & Business Services	39.4	40.4	1.0	2.5
Education & Health Services	38.1	39.1	1.0	2.6
Leisure & Hospitality	32.2	32.9	0.7	2.2
Other Services	13.7	14.3	0.6	4.4
Government	55.0	57.2	2.2	4.0

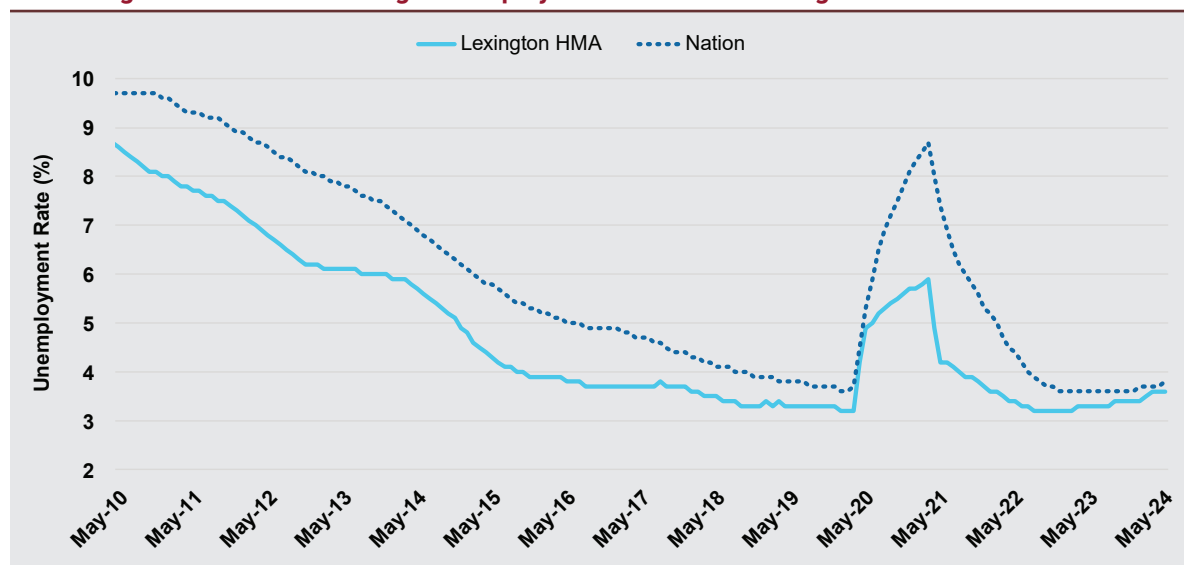
Notes: Based on 12-month averages through May 2023 and May 2024. Numbers may not add to totals due to rounding. Data are in thousands.  
Source: U.S. Bureau of Labor Statistics



## Unemployment Trends

The unemployment rate in the HMA has been lower than that of the nation for more than a decade. The unemployment rate in the HMA declined during the 2010s from 8.0 percent in 2010, when the economy was weak, to 3.3 percent in 2019. Due to the COVID-19 pandemic, the unemployment rate increased to 5.7 percent during 2020 (Figure 3). By comparison, the unemployment rate in the nation fell from 9.6 in 2010 to 3.7 percent in 2019 before increasing to 8.1 percent in 2020. The unemployment rate in the HMA fell to a recent low of 3.2 percent during 2022 before rising slightly to an average of 3.6 percent during the 12 months ending May 2024. For the nation, the comparable unemployment rates were 3.6 and 3.8 percent, respectively.

**Figure 3. 12-Month Average Unemployment Rate in the Lexington HMA and the Nation**



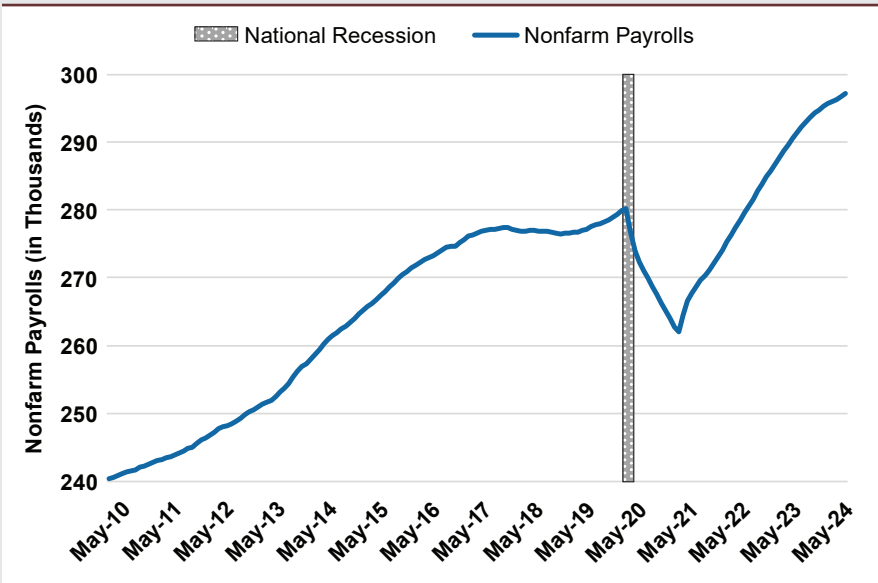
Note: Based on the 12-month moving average.  
Source: U.S. Bureau of Labor Statistics

## Economic Periods of Significance

### 2010 Through 2015: Recovery From the Great Recession

Nonfarm payrolls grew less than 1.0 percent in 2010 after 3.0-percent average decreases in 2008 and 2009, but economic conditions strengthened during the next 5 years, with nonfarm payroll growth outpacing nationwide growth. From 2011 through 2015, nonfarm payrolls increased by an average of 5,700 jobs, or 2.3 percent, annually (Figure 4). By comparison, payrolls in the nation were up an average of 1.7 percent annually during the same period, and the nation recovered the jobs lost from the Great Recession during 2014, a year after the HMA. The largest job gains in the HMA from 2011 through 2015 were in the professional and business services, the leisure and hospitality, and the education and health services sectors, up by respective averages of 2,000, 800, and 700 jobs, or 5.9, 2.9, and 2.2 percent, annually. The

Figure 4. 12-Month Average Nonfarm Payrolls in the Lexington HMA



Note: 12-month moving average.  
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

professional and business services and the education and health services sectors benefited indirectly from a significant expansion to the UK hospital in 2013, which helped solidify the status of the HMA as a hub for advanced medical research and treatment. Keeneland hosted the Breeders' Cup World Championships thoroughbred horse race in 2015, boosting jobs in the leisure and hospitality sector. Declines in the information, the other services, and the financial activities sectors—with respective average losses of 200, 100, and 100 jobs, or 4.6, 1.1, and 0.6 percent, annually—partially offset gains during this period.

### 2016 Through 2019: Slower Growth

From 2016 through 2019, nonfarm payroll growth in the HMA slowed following the relatively rapid growth during the previous 5 years. Nonfarm payrolls increased by an average of 2,100 jobs, or 0.8 percent, annually compared with 1.6 percent for the nation. The largest gains were in the government sector, which added an average of 600 jobs, or 1.1 percent, annually, with most of the gains in the local and state government subsectors, which expanded to meet the greater demand for services from the increasing HMA population and UK enrollment, respectively. Partly offsetting gains were declines in other sectors—the largest of which were in the professional and business services sector, which lost an average of 600 jobs, or 1.7 percent, annually, including 250 jobs in 2019 at Ledvance LLC, a company specializing in lighting products and services. The manufacturing sector lost an average of 100 jobs, or 0.4 percent, a year, including a combined 250 jobs in 2017 and 2019 from Leggett & Platt, Incorporated, a manufacturer of bedding products.

### 2020: COVID-19 Pandemic

During 2020, the countermeasures to slow the spread of COVID-19 resulted in nonfarm payrolls declining by 13,800 jobs, or 4.9 percent. The nonfarm payroll losses in the HMA were not as severe as the 5.8-percent decline in the nation. Although jobs in the HMA declined in all sectors except the other services sector during 2020, losses were greatest in the leisure and hospitality sector, which accounted for more than one-half of the job losses, decreasing by 7,000

jobs, or 21.6 percent, primarily a result of restrictions on social gatherings and reduced tourism. The next largest decreases were in the manufacturing and the education and health services sectors, which declined by 2,000 and 1,900 jobs, or 6.6 and 5.1 percent, respectively, partly because of supply chain disruptions and labor shortages.

### 2021 Through 2023: Recovery

Job growth in the HMA resumed in 2021, and by 2022, all sectors except the leisure and hospitality and the wholesale and retail trade sectors had surpassed 2019 job levels. Nonfarm payrolls grew by an average of 10,000

jobs, or 3.6 percent, annually from 2021 through 2023. The leisure and hospitality sector added 2,500 jobs, or 8.9 percent, the most for a service-providing sector. The availability of outdoor leisure activities in the HMA that allowed for social distancing benefited tourism. In 2023, tourist spending in Fayette County surpassed \$1.17 billion, 30 percent higher than 2019 levels (Kentucky Department of Tourism). The manufacturing sector added 1,100 jobs, or 3.9 percent, the most of any goods-producing sector. Pent-up demand due to supply chain disruptions during the pandemic resulted in increased prices for durable goods and increased production during this period, benefiting TMMK and other manufacturers, particularly during 2022.

## Commuting Patterns

Commuters from outside the HMA are a significant part of the workforce. During the 5-year period ending in 2021, 39.5 percent of workers in the HMA resided outside the HMA, up from 36.9 percent during the preceding 5 years (U.S. Census Bureau, OnTheMap). The two closest, larger MSAs—Louisville-Jefferson County, KY-IN and Cincinnati, OH-KY-IN—accounted for 6.2 and 3.6 percent of commuters, respectively. Madison County, directly to the south of the HMA and connected to Fayette County via Interstate 75 (I-75), supplied a further 4.8 percent of workers. The presence of TMMK in Scott County, also along I-75, was a significant draw for workers from counties outside the HMA across northern Kentucky.

## Forecast

During the next 3 years, job growth is expected to moderate. Nonfarm payrolls are expected to increase an average of 1.3 percent annually. Most sectors are expected to expand. Notable job growth is anticipated to continue in the

government, the manufacturing, and the mining, logging, and construction sectors. Construction is underway on the largest academic building ever built at UK, which is planned to house programs in the colleges of nursing, medicine, and public health when complete in 2026. Toyota Motor Corporation is expected to invest \$1.3 billion in TMMK for the production of an electric SUV. Development in and around the Coldstream Research Campus, including \$33 million in infrastructure improvements, is expected to contribute to increased construction activity during the next 3 years.





# Population and Households

Current Population: 522,800

Population growth has slowed to an average of 0.4 percent annually since 2017, compared with average annual growth of 1.1 percent from 2010 to 2017.

## Population Trends

Population growth in the Lexington HMA was strong in the early and mid-2010s before slowing considerably in the late 2010s, primarily because of lower levels of net in-migration due to slower job growth (Table 3). From 2010 to 2017, population growth averaged 5,150 people, or 1.1 percent, annually (Census Bureau decennial counts and population estimates as of July 1). During this period, net natural increase averaged 2,425 people a year, and net in-migration contributed 53 percent of total population growth, averaging 2,725 people annually (Figure 5). As job gains moderated, so did population growth, particularly net in-migration. From 2017 to 2020, the population increased by an average of slightly more than 2,650, or 0.5 percent, a year. Net in-migration slowed to an average of 780 people annually, accounting for 29 percent of the population growth, and net natural increase slowed to an average of 1,875 people annually. Map 1 shows areas of population growth and decline in the HMA from 2010 to 2020

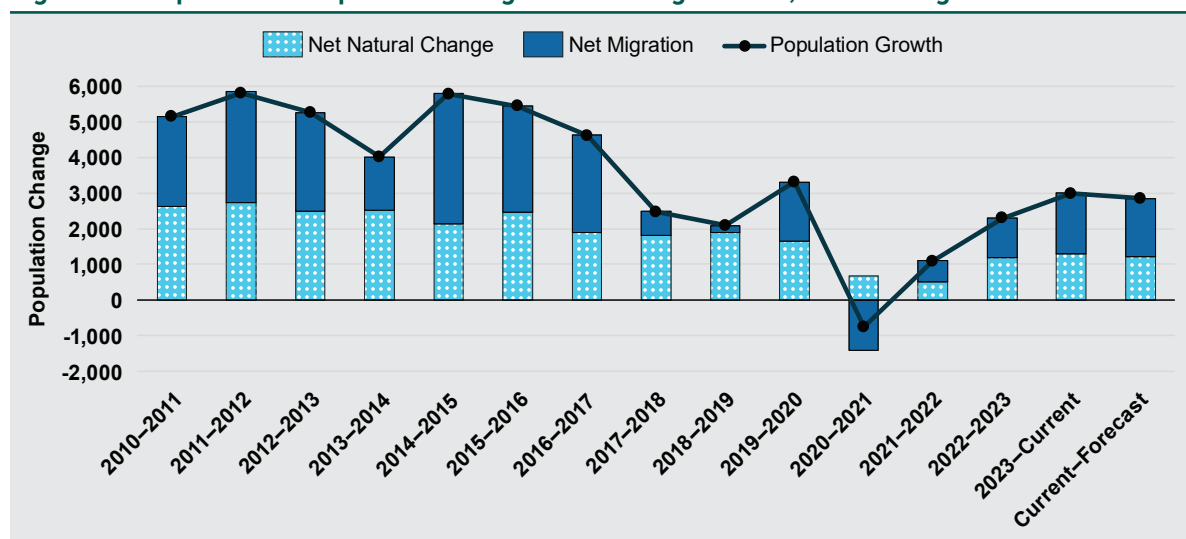
Table 3. Lexington HMA Population and Household Quick Facts

Population Quick Facts	2020	Current	Forecast
	Population	516,811	522,800
	Average Annual Change	4,475	1,425
	Percentage Change	0.9	0.3
Household Quick Facts	2020	Current	Forecast
	Households	209,217	215,600
	Average Annual Change	1,900	1,525
	Percentage Change	1.0	0.7

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is from the current date (June 1, 2024) to June 1, 2027.

Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Lexington HMA, 2010 Through the Forecast Period



Notes: Data displayed are average annual totals. The forecast period is the current date (June 1, 2024) to June 1, 2027.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

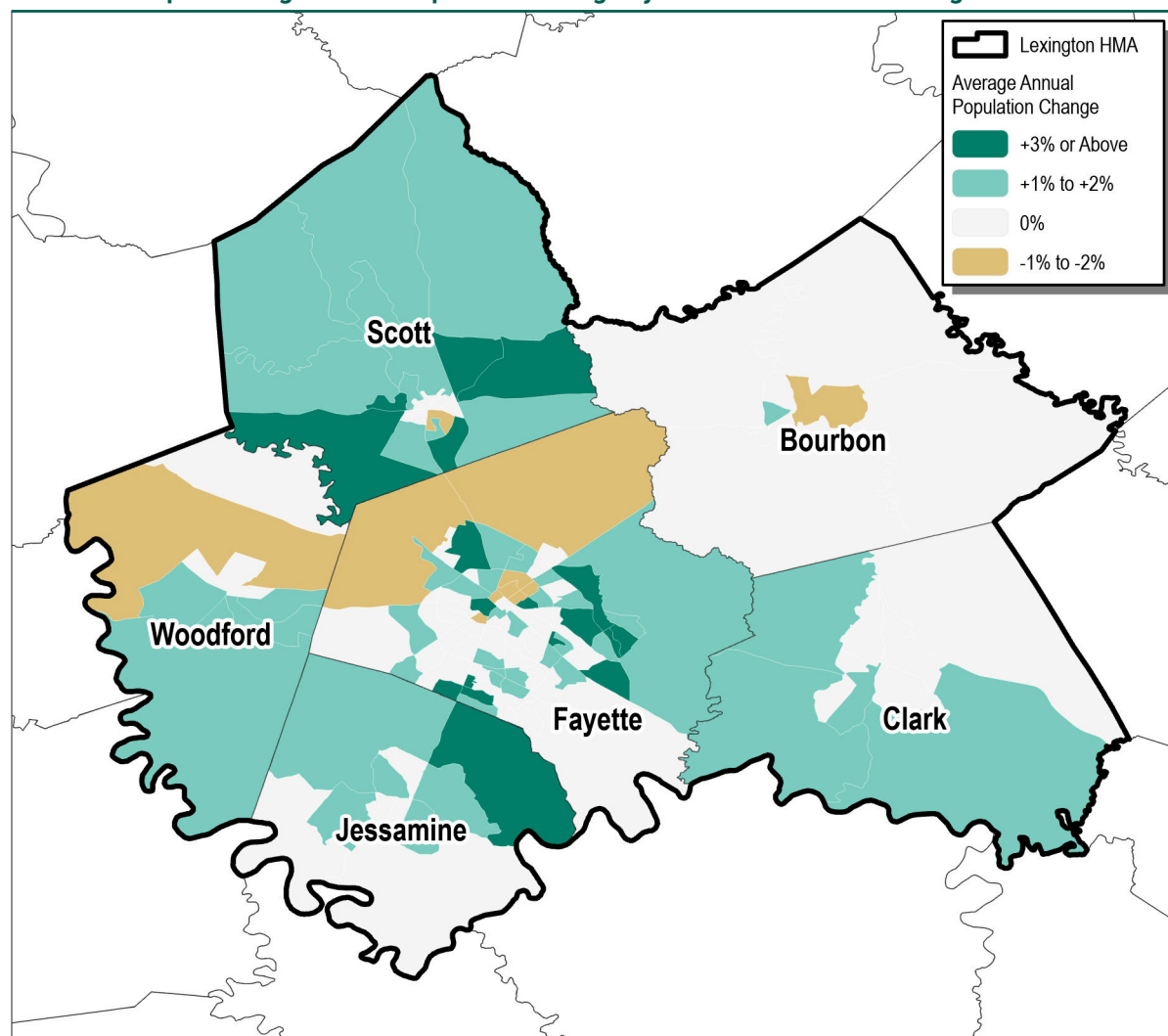
by census tract. Areas with considerable growth included Jessamine County to the south, Scott County to the north, and parts of Fayette County. Jessamine County primarily consists of suburban communities and benefited from job growth in the other counties in the HMA.

Population in the HMA declined during the initial months of the COVID-19 pandemic but has recovered moderately. The HMA had a single year of population decline because of the rise in COVID-related deaths that caused net natural increase to slow, and heavy job losses contributed to net out-migration. From 2020 to 2021, the population decreased by 140, or less than 1 percent, reflecting net natural increase of 720 people, which was offset by net out-migration of 860 people. Since 2021, population growth has remained relatively subdued, averaging 2,100 people, or 0.4 percent, annually. Net natural increase rebounded slightly to an average of 1,000 people annually. Net in-migration remained below levels during the early and mid-2010s, averaging 1,100 people annually and accounting for 52 percent of population growth.

## Age Cohort Trends

In 2023, the largest age cohorts in the HMA were residents aged 25 to 44 and 45 to 64, which constitute approximately 27 and 24 percent, respectively, of the total population (Figure 6; American Community Survey [ACS] 1-year data). However, the fastest growing age cohort was people aged 65 and older, which grew from approximately 12 percent of the HMA population in 2012 to 16 percent in 2023, similar to trends nationwide. No other age cohorts increased as a share of the population. The mild climate, relative housing affordability, and access to state-of-the-art healthcare attracted retirees. From 2012 to

**Map 1. Average Annual Population Change by Census Tract in the Lexington HMA**



Source: 2010 and 2020 Decennial Census, with adjustments by the analyst

2023, the share of the population younger than 18 remained at 22 percent. The increasing share of seniors contributed to a general trend of slowing of net natural increase during the past decade because of fewer births and a rise in the number of deaths.

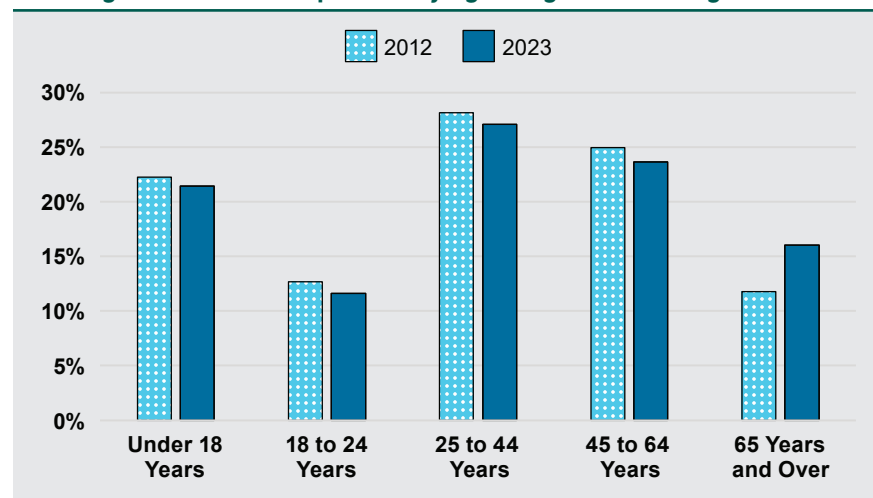
## Student Population

From 2010 to 2023, enrollment at UK rose an average of 2 percent annually and totaled approximately 33,900 students as of the fall semester of 2023. The student population, which includes students attending UK and Transylvania University, accounts for approximately 6 percent of the HMA population. Approximately 25,800 students live off campus and an estimated 4 percent of total households have at least one student attending a university in the HMA. The HMA population is more highly educated than the nation overall. In 2023, 45 percent of HMA residents aged 25 or older had at least a bachelor's degree compared with 36 percent nationally (ACS 1-year data).

## Household Trends

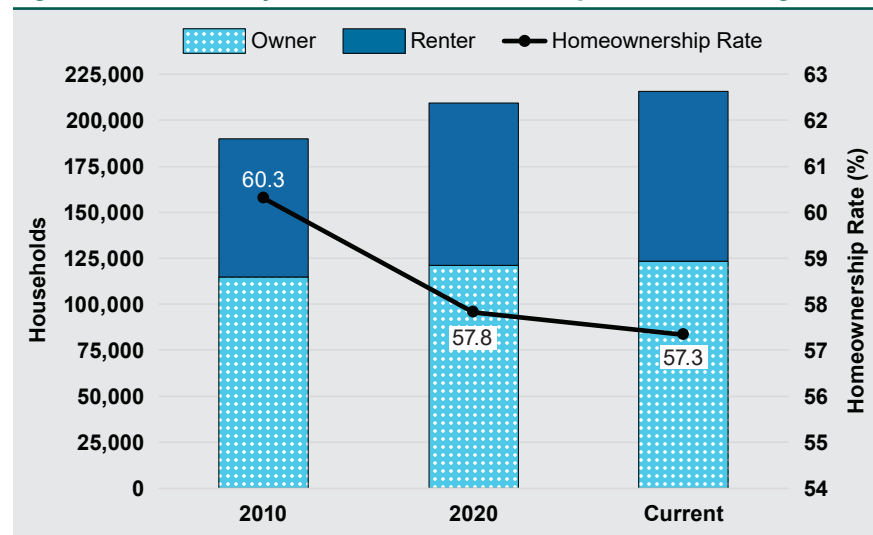
As of June 1, 2024, an estimated 215,600 households reside in the HMA. Since 2020, the number of households has increased by an average of 1,525, or 0.7 percent, annually compared with the average population increase of 0.3 percent a year. The household growth rate exceeded the population growth rate because of an increase in retiree households, which tend to be smaller. Single-person households increased from 30.8 percent of total households in the HMA in 2019 to 31.5 percent in 2023, whereas they accounted for only 23.5 percent of households in 2010 (ACS 1-year data). From 2010 to 2020, the number of households increased by an average of approximately 1,900, or 1.0 percent, a year—similar to the 0.9-percent average annual population growth rate in the HMA. An estimated 57.3 percent of households are homeowners as of June 1, 2024, down from 57.8 percent in 2020 and 60.3 percent in 2010 (Figure 7). The decline in the homeownership rate slowed partly because owner household growth has accounted for 41 percent of household growth since 2020, up from 33 percent during the 2010s. As of the current date, an estimated 123,600 owner households and 92,000 renter households reside in the HMA.

Figure 6. Share of Population by Age Range in the Lexington HMA



Source: American Community Survey 1-year data

Figure 7. Households by Tenure and Homeownership Rate in the Lexington HMA



Note: The current date is June 1, 2024.

Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

## Forecast

During the next 3 years, the population and number of households are expected to increase by respective averages of 2,850 and 1,625, or 0.5 and 0.8 percent, each year. Both rates represent increases compared with the period from 2020 to current but are less than the average annual

rates from 2010 to 2020. A moderate increase in net in-migration to an average of 1,625 people annually is expected to account for 57 percent of total population growth. The population and the number of households are anticipated to reach 531,400 and 220,500, respectively, by June 1, 2027.





# Home Sales Market

## Market Conditions: Slightly Tight

Average home sales prices continued to increase during the past 12 months despite 2 years of decreasing home sales (CoreLogic, Inc., with adjustments by the analyst).

## Current Conditions

The sales housing market in the Lexington HMA is currently slightly tight. The sales vacancy rate is estimated at 1.3 percent, down slightly from 1.5 percent in 2020 and significantly less than the 2.8-percent rate in 2010, when conditions were soft (Table 4). The sales market tightened beginning in mid-2020 because of a significant reduction in the number of homes being listed for sale during the early stages of the COVID-19 pandemic. The reluctance of homeowners to sell their homes because of economic uncertainty or list them for sale because of fears of contagion partly limited the number of listings. Meanwhile, demand increased partly because of preferences for more living space, increased work-from-home options, and historically low interest rates. These factors contributed to more people seeking homeownership. Market conditions eased when interest rates started to rise significantly in 2022, which caused the demand for sales housing to decrease. The 30-year fixed-rate mortgage averaged 7.0 percent in May 2024, up from 6.4 percent in May 2023 and 3.0 percent in May 2021

Table 4. Home Sales Quick Facts in the Lexington HMA

Home Sales Quick Facts	Lexington HMA		Nation
	Vacancy Rate	1.3%	NA
	Months of Inventory	2.2	3.4
	Total Home Sales	8,375	5,024,000
	1-Year Change	-13%	-13%
	New Home Sales Price	\$469,100	\$489,000
	1-Year Change	5%	-1%
	Existing Home Sales Price	\$308,300	\$398,100
	1-Year Change	5%	5%
	Mortgage Delinquency Rate	0.6%	0.9%

NA = data not available.  
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2024; and months of inventory and mortgage delinquency data are as of May 2024. The current date is June 1, 2024.  
Sources: Vacancy rate—estimates by the analyst; mortgage delinquency rate—CoreLogic, Inc.; months of inventory—Redfin, a national real estate brokerage, with adjustments by the analyst; HMA mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

(Freddie Mac). Higher mortgage interest rates also deterred existing homeowners from listing their homes for sale if a subsequent home purchase would need to be financed at a considerably higher interest rate. As of May 2024, approximately 1,025 homes were listed for sale in the HMA, up 19 percent year over year but 37 percent less than in May 2019, before the pandemic (Redfin, a national real estate brokerage, with adjustments by the analyst). Sales demand in the HMA was outpacing additions to supply even before the pandemic. The supply of homes for sale was 2.2 months during May 2024, greater than the 1.8 months for the HMA a year earlier and down from the 2.7 months during May 2019. By comparison, the nation had 3.4 months of supply of homes for sale during May 2024, up from 2.6 months in May 2019.

## Home Sales

During the 12 months ending May 2024, total home sales declined by 1,300, or 13 percent, to 8,375 homes sold, a rate of decline similar to the nation but an 11-year low for the HMA (CoreLogic, Inc.). The decrease in the HMA followed a decline of 4,225 home sales, or 30 percent, during the previous 12 months (Figure 8). The number of existing home sales fell 13 percent during the 12 months ending May 2024 to approximately 7,775 homes sold, following a 31-percent decline during the previous 12 months. New home sales declined 20 percent during the past 12 months to 600 homes sold, an acceleration from the 16-percent decline during the previous 12 months.

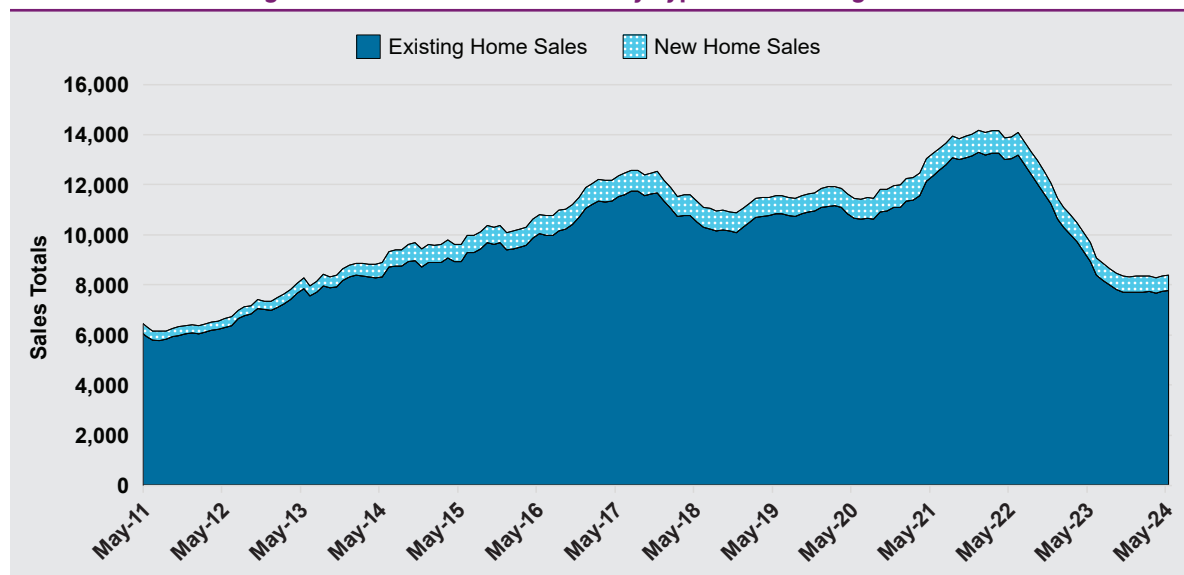


Following the housing crisis in the late 2000s and the local economic downturn from the Great Recession, home sales in the HMA declined to 6,400 in 2011, with new homes making up 5 percent of sales. With the strengthening economy, home sales in the HMA generally trended upward, averaging a 13-percent gain annually from 2012 through 2016. Home sales were relatively unchanged from 2017 through 2020, and growth in the local economy weakened. New home sales gradually grew as a portion of total sales during the decade, making up 7 percent of the 12,000 total home sales in 2020. Home sales surged 18 percent to nearly 14,200 during 2021 because the pandemic caused a shift in consumer preferences, including an increase in demand for larger suburban homes away from urban centers. Historically low mortgage interest rates combined with relatively high household savings, making homebuying more attainable, supported demand for home sales.

## Home Sales Prices

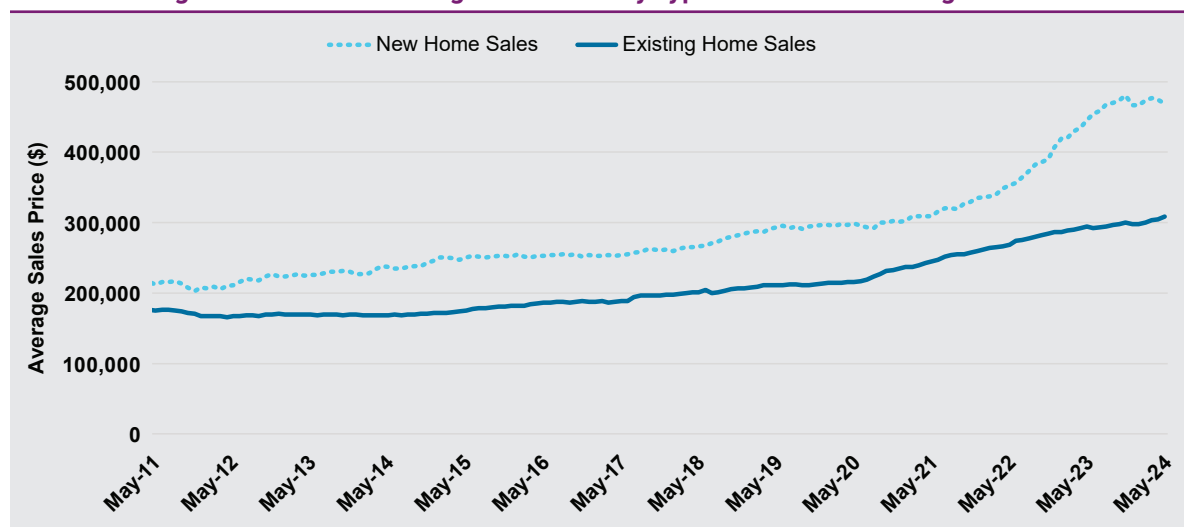
The average price of homes in the HMA increased in each of the past 11 years, but price growth slowed during the past 12 months. The average price of homes increased by \$14,100, or nearly 5 percent, during the 12 months ending May 2024 to \$319,800, following an 11-percent gain during the previous 12 months (Figure 9). A low inventory has contributed to prices increasing despite falling sales. Existing and new home prices increased 5 percent during the past 12 months to \$308,300 and \$469,100, respectively,

**Figure 8. 12-Month Sales Totals by Type in the Lexington HMA**



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

**Figure 9. 12-Month Average Sales Price by Type of Sale in the Lexington HMA**



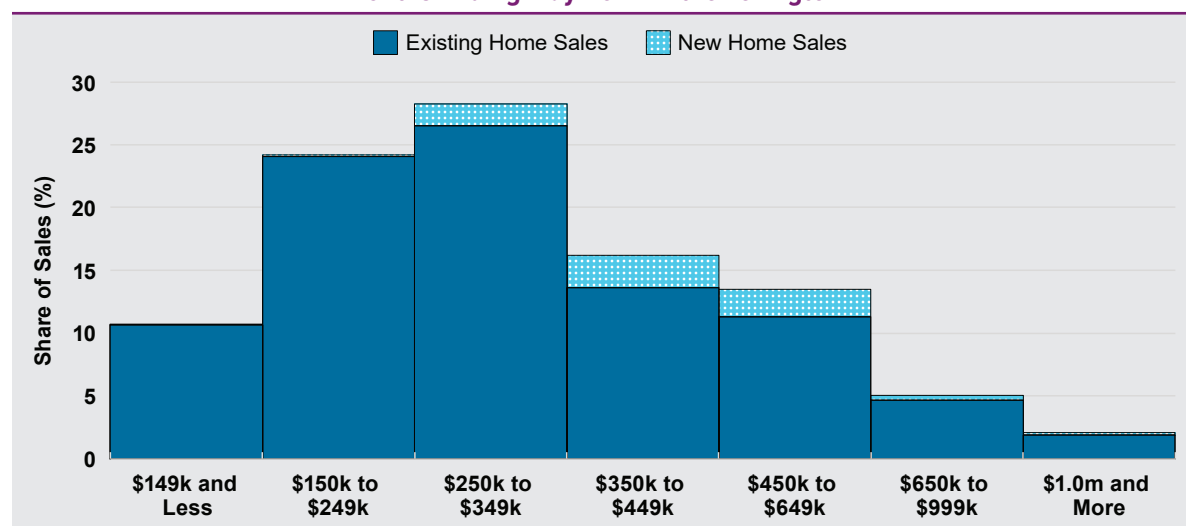
Source: CoreLogic, Inc., with adjustments by the analyst

after 9- and 26-percent increases during the previous 12 months. By comparison, existing and new home prices increased an average of 4 percent each annually from 2012 through 2020 and 11 percent each during 2021. During the 12 months ending May 2024, homes priced from \$250,000 to \$349,999 represented the largest share of existing sales in the HMA, accounting for 29 percent of all existing homes sold (Figure 10). The largest share of new homes sold in the HMA were priced from \$350,000 to \$449,999 and accounted for 35 percent of all new home sales during the same period.

## Delinquent Mortgages and Real Estate Owned Sales

In May 2024, 0.6 percent of home loans in the HMA were seriously delinquent or in real estate owned (REO) status compared with 0.9 percent for the nation and down slightly from 0.8 percent in May 2023 (CoreLogic, Inc.). The rate increased from 1.1 percent in May 2020 to 2.2 percent in May 2021, mostly because of an increase in home loans that were 90 or more days delinquent. During the pandemic, some households were unable to make mortgage payments because of job or income losses. With the recovery of jobs, more households have caught up on payments. As a result, the number of home loans that were 90 or more days delinquent has declined

**Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending May 2024 in the Lexington HMA**



Note: New and existing home sales include single-family homes, townhomes, and condominiums.  
Source: Zonda

70 percent since May 2021. The rate of seriously delinquent home loans and REO properties in the HMA has been lower than that for the nation since before the Great Recession.

## Sales Construction

Home construction in the HMA, as measured by the number of sales units permitted, was greater during the past 24 months than in the early 2010s, when the sales market was still recovering from the Great Recession, but below the recent peak in construction in the early 2020s (Figure 11). An average of 1,100 homes were permitted annually in 2010 and 2011. New home construction increased an average of 6 percent annually from 2012 through 2017 to approximately 1,650 homes permitted in 2017 but weakened slightly from 2018 through 2020, when an average of 1,425 homes were permitted each year, partly because of slower economic and population growth. Sales market conditions tightened with the onset of the pandemic and stronger housing demand, and home builders responded by increasing new home construction to a high of 1,775 homes in 2021. Home sales demand fell considerably when mortgage rates rose, resulting in an 8-percent decline in home construction during 2022 to 1,625 homes permitted.

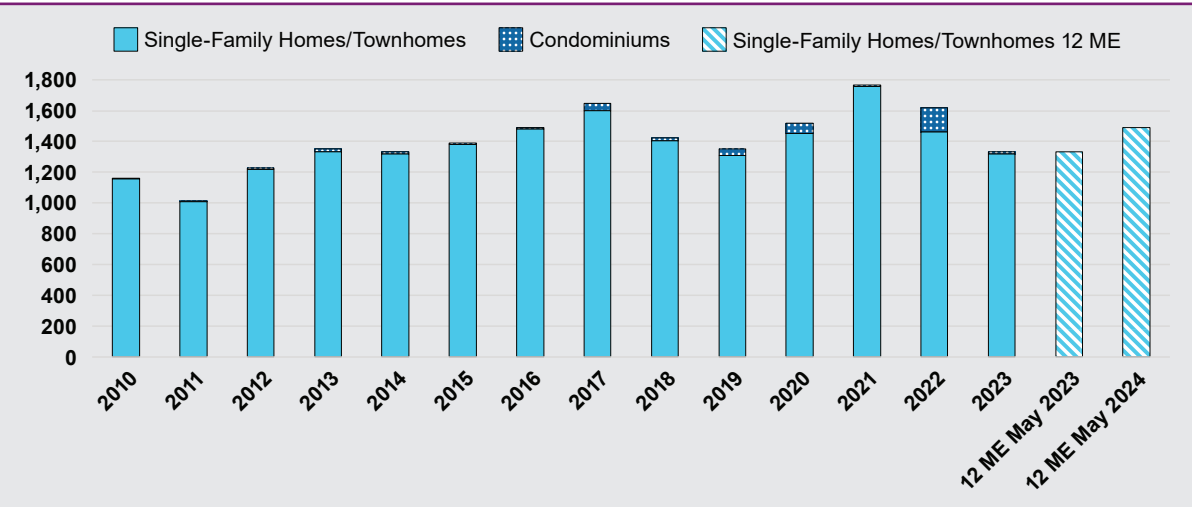
During the 12 months ending May 2024, home construction increased 12 percent from a year earlier to 1,500 homes, incentivized by low levels of available existing home inventory.

During the past 5 years, new home construction in the HMA was generally concentrated in the outskirts of the city of Lexington in Fayette County, followed by Scott and Jessamine Counties. Sanders Garden is a 1,500-home master-planned community in north Lexington, with access to job centers in Scott County. Homes range in size from three to five bedrooms, with starting prices ranging from \$372,000 to \$511,000. Eastgate in Nicholasville in Jessamine County has 68 homes completed of the 187 planned at buildout, with 10 homes currently available for sale and prices ranging from \$315,900 to \$419,000.

Forecast

Demand is estimated for 4,900 new homes in the HMA during the next 3 years (Table 5). Most of the demand for new homes is expected to be in suburban locations in the HMA, particularly in Scott, Jessamine, and Fayette Counties. The 550 homes under construction will meet a portion of the demand during the first year of the forecast period.

Figure 11. Annual Sales Permitting Activity in the Lexington HMA



12 ME = 12 months ending.  
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 5. Demand for New Sales Units in the Lexington HMA During the Forecast Period

Sales Units	
Demand	4,900 Units
Under Construction	550 Units

Note: The forecast period is June 1, 2024, to June 1, 2027.  
Source: Estimates by the analyst





# Rental Market

## Market Conditions: Slightly Tight

As of the second quarter of 2024, the apartment vacancy rate was 6.7 percent, and the average rent increased 4 percent from a year earlier to \$1,141 (CoStar Group).

## Current Conditions and Recent Trends

The overall rental market in the Lexington HMA—including apartments, single-family homes, and other housing options available for rent—is slightly tight. The estimated 7.9-percent vacancy rate is down from 8.1 percent in 2020 and significantly less than the 9.9-percent rate in 2010, when conditions were soft (Table 6). MSAs with populations of less than 1 million and large universities tend to have relatively stable apartment demand but high vacancy rates (RealPage, Inc.). University students are a reliable source of rental demand, supporting smoother construction cycles and steady growth in the rental inventory. Students are also more likely to rent by the room and semester, increasing vacancy rates because of partially filled rentals and high rates of turnover of rental units. In addition, students have lower incomes and create less demand for amenities, extending the viability of older rental units.

After an uptick in distressed home sales in the HMA following the Great Recession, many single-family homes were shifted from owner to renter

Table 6. Rental and Apartment Market Quick Facts in the Lexington HMA

Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	8.1	7.9
		2010 (%)	2023 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	35
	Multifamily (2–4 Units)	20	18
	Multifamily (5+ Units)	40	45
	Other (Including Mobile Homes)	2	2
Apartment Market Quick Facts		2Q 2024	YoY Change
	Apartment Vacancy Rate	6.7	0.8
	Average Rent	\$1,141	4%
	Studio	\$792	3%
	One-Bedroom	\$996	3%
	Two-Bedroom	\$1,240	5%
	Three-Bedroom	\$1,470	4%

2Q = second quarter. YoY= year-over-year.  
Notes: The current date is June 1, 2024. Percentages may not add to 100 due to rounding.  
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2023 American Community Survey 1-year data; apartment data—CoStar Group

occupancy. Since the early 2010s, single-family homes have remained a significant portion of the rental inventory. Single-family homes accounted for 38 percent of renter-occupied housing units in 2010, which decreased to 35 percent in 2023 as the sales market tightened (ACS 1-year data). By comparison, 31 percent of renter-occupied units in the HMA were single-family homes in 2000. In 2023, approximately 45 percent of renter households resided in buildings with five or more units, typically apartments, an increase from 40 percent in 2010.

## Single-Family Rental Market

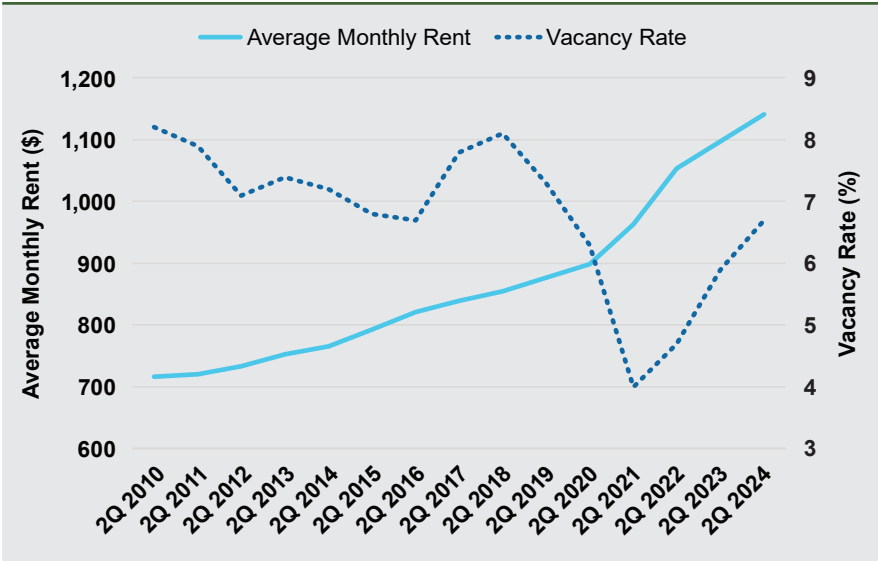
Conditions among professionally managed single-family rental homes, a small slice of the market, are tight. As of May 2024, the average rent for a professionally managed single-family home was \$1,425, up 9 percent from May 2023 (CoreLogic, Inc.). On average, single-family rents have gone up 9 percent annually since May 2018 compared with 2 percent annually during the previous 6 years. As of May 2024, the vacancy rate for professionally managed single-family rental homes in the HMA was 3.5 percent, which was up from 3.2 percent a year earlier but down from 4.2 percent in May 2018.



### Apartment Market Trends

The apartment market is currently slightly tight after apartment vacancy rates and rents increased during the past 3 years, with strong demand continuing to outpace increased supply. The average apartment vacancy rate as of the second quarter of 2024 was 6.7 percent, up from 5.9 percent a year earlier and a low of 4.0 percent as of the second quarter of 2021 (CoStar Group). Apartment rents rose an average of nearly 7 percent, or by approximately \$60, a year from the second quarters of 2020 through 2024 to \$1,141 (Figure 12). From 2010 to 2020, the apartment vacancy rate was generally higher than the rate since 2020, reflecting softer market conditions. The vacancy rate decreased from 8.2 percent as of the second quarter of 2010 to 6.7 percent as of the second quarter of 2016. As of the second quarter of 2018, the vacancy rate peaked at 8.1 percent, partly because of increased construction activity, and fell during the next 3 years, partly because of slower inventory growth.

Figure 12. Apartment Rents and Vacancy Rates in the Lexington HMA



2Q = second quarter.  
Source: CoStar Group

Rent growth was steady during the preceding decade. From the second quarters of 2010 through 2020, the average rent increased an average of 2 percent, or by less than \$20, annually. Average apartment rents surged 7 percent, or by \$65, year over year as of the second quarter of 2021, when the apartment vacancy rate was at a low.

### Apartment Market Conditions by Geography

As of the second quarter of 2024, the vacancy rate increased in all six of the CoStar Group-defined market areas in the HMA containing at least 2,500 units—which, combined, account for 74 percent of all surveyed apartments. Market conditions eased in five of the six market areas, and rent growth slowed. The exception was the Southeast Fayette County market area, where average rents were the highest in the HMA and increased 7 percent year over year to \$1,311, up from a 3-percent increase the previous year, with the vacancy rate rising to 5.3 percent. The Scott County market area had the lowest vacancy rate at 2.3 percent, with rents averaging \$1,244 as of the second quarter of 2024. Average rents increased 5 percent year over year, but rent growth slowed slightly from a 6-percent increase the previous year. No apartment units have been added in Scott County since 2018, partly because of infrastructure work, including the widening of I-75, along which most apartments are built. In the West Lexington market area, rents averaged \$950 as of the second quarter of 2024, the lowest of the six market areas, and the 8.3-percent vacancy rate was the highest among market areas. The area is popular among students, partly because of a relatively older and affordable inventory of rental housing near UK. It also had the slowest rent growth, at 2 percent year over year, down from a 6-percent increase a year earlier.

### Senior Housing

Most of the age-restricted rental units in the HMA are in the city of Lexington. As of the second quarter of 2024, the vacancy rate for age-restricted apartments fell to 8.4 from 11.3 percent a year earlier and was similar to the 8.2-percent rate during the second quarter of 2019, before the pandemic (Moody’s CRE). The newest age-restricted developments, Christian Towers II and Polo Club Park,



both opened in Lexington in late 2023 and contain 40 and 24 age-restricted units, with rents starting at \$900 and \$938, respectively.

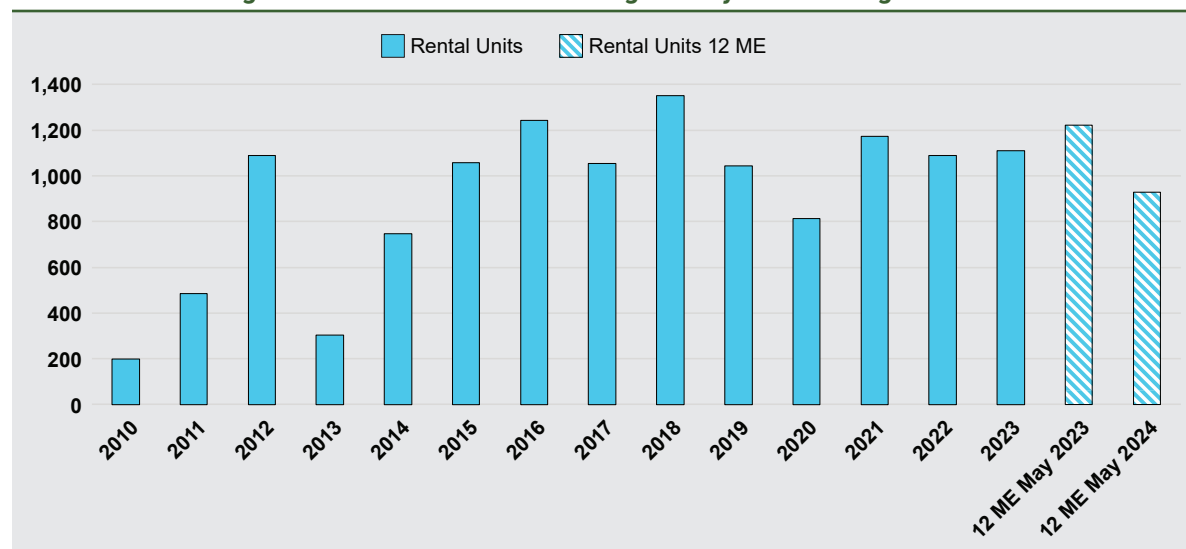
## Student Market

Students renting housing off campus make up an estimated 9 percent of the renter households in the HMA and significantly affect the rental market surrounding UK. In addition, 8,100 beds are available in college-owned, -operated, or -affiliated apartments, which are typically rented by the bedroom (University of Kentucky). The vacancy rate for student apartment units, which may be occupied and have available beds, fell to 1.6 percent in the second quarter of 2024, down from 2.0 percent the previous year (Moody's CRE). Rents per bed during the second quarter of 2024 increased 6 percent to \$1,092. Signature Apartments, a 150-unit, 280-bed property south of the UK campus, is the first new student apartment development built since 2020 and is expected to open in time for the 2024 fall semester.

## Rental Construction Trends

Recent rental construction in the HMA, as measured by the number of units permitted, has been similar to levels during the mid-2010s (Figure 13). During the 12 months ending May 2024, approximately 930 rental units were permitted, down 24 percent compared with the previous 12 months, partially because of builders responding to higher interest rates, which increased construction costs, as well as higher

**Figure 13. Annual Rental Permitting Activity in the Lexington HMA**



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

vacancies and slowed absorption (preliminary data, with adjustments by the analyst). In 2010, only 200 rental units were permitted. From 2011 through 2018, rental construction generally increased. In the following 2 years, rental construction fell an average of 22 percent from a peak of 1,350 units permitted in 2018 to 810 units in 2020, corresponding with slower economic and population growth. Stronger net in-migration to the HMA, rapid rent growth, and low vacancy rates at existing apartment communities prompted builders to increase construction to an average of 1,125 units permitted annually during 2021 and 2022.

## Recent Rental Construction

Construction activity in the HMA 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 the one-, two-, and three-bedroom units start at \$1,250, \$1,350, and \$2,275, respectively. The Avery, which is anticipated to open later in 2024 in the relatively expensive Southeast Fayette County market area, will be the largest multifamily development built since

2020. It will include 413 units. Rents for the studio, one-bedroom, and two-bedroom units in this community are expected to start at \$1,475, \$1,800, and \$2,350, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 2,675 rental units in the HMA (Table 7). Demand for new rental units is expected to be relatively stable. Rental construction is expected to remain primarily in Fayette County.

The 1,700 units under construction are expected to meet nearly all demand during the first and second years of the forecast period.

Table 7. Demand for New Rental Units in the Lexington HMA During the Forecast Period

Rental Units	
Demand	2,675 Units
Under Construction	1,700 Units

Note: The forecast period is June 1, 2024, to June 1, 2027.  
Source: Estimates by the analyst





# Terminology Definitions and Notes

## A. Definitions

<b>Apartment Vacancy Rate/ Average Monthly Rent</b>	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including properties in lease-up or at stabilized occupancy. A property is stabilized once it reaches a 90-percent or above occupancy rate or at least 18 months pass since the property was changed from “under construction” to “existing” on the CoStar Group website.
<b>Building Permits</b>	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.
<b>Demand</b>	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 under construction or units in the development pipeline.
<b>Existing Home Sales</b>	Includes resales, short sales, and real estate owned sales. Resales 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.
<b>Forecast Period</b>	6/1/2024–6/1/2027—Estimates by the analyst.
<b>Home Sales/ Home Sales Prices</b>	Includes single-family, townhome, and condominium sales.
<b>Net Natural Increase</b>	Resident births are greater than resident deaths.
<b>Rental Market/ Rental Vacancy Rate</b>	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

<b>Seriously Delinquent Mortgages</b>	<b>Mortgages 90 or more days delinquent or in foreclosure.</b>
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<b>B. Notes on Geography</b>	
1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2020 Census.

<b>C. Additional Notes</b>	
1.	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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

<b>D. Photo/Map Credits</b>	
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